

CA1
Z2
-C52

FEDERAL-PROVINCIAL CONFERENCE
OF FIRST MINISTERS ON THE ECONOMY

CONFERENCE FEDERALE-PROVINCIALE
DES PREMIERS MINISTRES SUR L'ECONOMIE



VERBATIM TRANSCRIPT

(unverified and unofficial)

COMPTE RENDU TEXTUEL

(non révisé et non officiel)

OTTAWA
February 2-4, 1982



OTTAWA
du 2 au 4 février 1982

CAUTION

Readers should note that this verbatim transcript has not been verified by the speakers whose statements are reported herein, nor edited by the CICS. This document has no official status as a record of the Conference.

- - - - -

AVERTISSEMENT

Le lecteur est prié de noter que ce compte rendu textuel n'a pas été vérifié par les personnes dont les propos sont reproduits et qu'il n'a pas été révisé par le SCIC. Ce document ne constitue pas un compte rendu officiel de la Conférence.



Digitized by the Internet Archive
in 2023 with funding from
University of Toronto

<https://archive.org/details/31761118954973>

TABLE OF CONTENTS / TABLE DES MATIERES

A. CONFERENCE SESSIONS/SEANCES DE LA CONFERENCE

	<u>Page</u>
FEBRUARY 2, 1982 - MORNING SESSION	1
LE 2 FEVRIER 1982 - SEANCE DU MATIN	
FEBRUARY 4, 1982 - EVENING SESSION	124
LE 4 FEVRIER 1982 - SEANCE DE LA SOIREE	

B. CONFERENCE PROCEEDINGS/DELIBERATIONS DE LA CONFERENCE

Welcome by the Rt. Hon. P.E. Trudeau (Chairman)/Mot de bienvenue du très honorable P.E. Trudeau (Président)	1
Secretary's Remarks/Mot du Secrétaire	2

Opening Statements/Déclarations d'ouverture

Canada	3 - 15
Ontario	15 - 29
Québec	30 - 49
Nova Scotia/Nouvelle-Ecosse	50 - 53
New Brunswick/Nouveau-Brunswick	53 - 60
Manitoba	61 - 68
British Columbia/Colombie-Britannique	69 - 81
Prince Edward Island/Ile-du-Prince-Edouard	81 - 88
Saskatchewan	88 - 101
Alberta	101 - 112
Newfoundland/Terre-Neuve	112 - 123

Closing Statements/Déclarations de clôture

	<u>Pages</u>
Newfoundland/Terre-Neuve	124 - 130
Alberta	130 - 135
Saskatchewan	135 - 142
Prince Edward Island/Ile-du-Prince-Edouard	142 - 146
British Columbia/Colombie-Britannique	146 - 153
Manitoba	153 - 158
New Brunswick/Nouveau-Brunswick	158 - 167
Nova Scotia/Nouvelle-Ecosse	167 - 173
Québec	174 - 195
Ontario	196 - 207
Canada	208 - 233

C. APPENDICES/ANNEXES

Appendix A	Agenda of the Conference
Annexe A	Ordre du jour de la Conférence
Appendix B	Participants
Annexe B	Participants

FEDERAL-PROVINCIAL CONFERENCE
OF FIRST MINISTERS ON THE ECONOMY

CONFERENCE FEDERALE-PROVINCIALE
DES PREMIERS MINISTRES SUR L'ECONOMIE

VERBATIM TRANSCRIPT

(unverified and unofficial)

Morning Session of
February 2nd, 1982

COMPTE RENDU TEXTUEL

(non révisé et non officiel)

Séance du matin
du 2 février 1982

OTTAWA

February 2-4, 1982

OTTAWA

du 2 au 4 février 1982

-- CONFERENCE DES PREMIERS MINISTRES --

LE PRESIDENT:

Je voudrais tout d'abord souhaiter la bienvenue à tous ceux qui participent à cette conférence, à tous ceux qui en suivent le déroulement soit dans cette chambre, soit en nous regardant à la télévision ou en nous écoutant à la radio.

C'est une conférence où les premiers ministres des provinces et du Canada doivent échanger des points de vue, doivent se consulter sur les mesures à prendre pour un redressement économique pour assurer d'une façon coopérative la croissance à venir.

Since we last met in this room there have been two changes of Premiers and I would like to welcome Premier Howard Pawley of Manitoba and Premier James Lee of Prince Edward Island. They're very welcome to this friendly gathering. I would also welcome the observers sitting on the other side of this room, the Official Leader of the Opposition, the Leader of the New Democratic Party and many other Parliamentarians. I welcome the observers nominated by the provincial governments and the observers of the territorial delegations.

Nous allons commencer la conférence en invitant chacun des premiers ministres à faire une déclaration d'ouverture au cours de la séance publique ce matin, nous avons prévu un ajournement aux alentours de une heure et si vous êtes d'accord, nous allons commencer tout de suite, mais non sans avoir invité the acting Secretary of the Canadian Intergovernmental Conference Secretariat, Mr. Ed Watson, to inform us of any necessary administrative arrangements.

THE SECRETARY: Thank you, Mr. Chairman.

It might be helpful, Mr. Chairman, if I were to mention as usual Secretariat services are available to all delegates at all times. The Secretariat's offices are located off the tunnel entrance to this main hall and for the location of individual delegation offices and for general information on arrangements for this conference you may wish to refer to the administrative notes which were provided to you at registration.

Permettez-moi de signaler que comme d'habitude tous les délégués peuvent avoir recours aux services du secrétariat en tout temps, nos bureaux sont situés près de l'entrée du tunnel qui donne sur la grande salle.

La note administrative qui vous a été remise au moment de l'inscription donne les locaux où se trouvent les bureaux de chaque délégation et des indications générales sur les dispositions qui ont été prises pour la présente conférence. Merci, monsieur le président.

LE PRESIDENT: Merci, monsieur Watson.

Well, a few short months ago we met in this very chamber to seek agreement on the Constitution. The people in every province were watching us and the country waited with impatience for us to succeed or to fail. It is not for me this morning to pass judgment on what we did, but it seems reasonable to think that most people in every part of Canada believe we acted wisely.

Une fois de plus aujourd'hui le peuple canadien tourne son regard vers Ottawa alors que nous nous réunissons cette fois pour un tout autre type de renouvellement: celui de notre économie.

Nous sommes ici pour nous consulter, échanger des idées et examiner ce que nous pouvons faire pour conjuguer nos efforts en vue d'améliorer l'économie de chaque région du Canada et de l'ensemble du pays.

Au moment d'aborder les problèmes qui touchent les canadiens dans leur vie de tous les jours, nous sommes également conscients que nous vivons dans un monde beaucoup plus vaste et qui éprouve lui aussi ses difficultés. La pauvreté désespérante de nombreux pays du tiers monde, les tensions au Moyen-Orient, en Amérique centrale et en Pologne sont autant de rappels que nous vivons à une époque qui exige que nous nous serrions les coudes entre canadiens et entre partenaires internationaux, pour prendre conscience de ce qui fait la valeur du Canada et pour bâtir un meilleur avenir.

Il ne fait aucun doute, à l'heure actuelle, qu'une grande partie du monde - et cela inclut le Canada - se retrouve au prise avec une récession de très grande envergure. Même le Japon, symbole suprême de la productivité et de l'efficacité, n'a pas réussi à y échapper. Il faudra donc que tous les chefs d'Etat et de gouvernement fassent preuve de sagesse s'ils veulent asseoir l'économie mondiale sur une base nouvelle et plus stable qui permettra d'assurer une croissance future.

Here in Canada, the effects of the recession are apparent. Many companies have failed, or have been forced to cut back their production. Since September, the number of unemployed has grown rapidly, and there are now close to a million Canadians looking for work.

This is not some abstract figure; these are people, many of whom may be watching us now, and hearing what we say. They are human beings, suffering the indignity and frustration, the economic hardship, of no job to do.

All of us here would like to be able to say to them - we will do such and such, and your troubles will be over. I, for one, will not insult them by suggesting that there is some magic we in government can perform to change the picture overnight. I wish there were - but only charlatans would pretend that.

It would take time and work and considerable care in making decisions which can affect our prosperity, not just in the months immediately ahead, but in the years to come. What we can do at once is to pledge to keep the renewal of our economy as our top priority until the job is finished and I invite the Premiers to join with me in doing so. With solid cooperation, I believe that we could begin to see the signs, within a few short months, that the worst is over.

As we all know so well, most countries have been struggling to control inflation and restore their economic growth, with varying degrees of success, ever since the first sharp rise in energy prices in 1973. Just two years ago, there was another massive shock when the OPEC nations suddenly doubled the price of oil, and countries everywhere scrambled to adjust. The reaction in much of the western world was to reject previous methods of adjustment as too gradual, and more aggressive ways of fighting inflation became the style.

In particular, the United States embarked on a deliberate policy of "tight money", forcing interest rates to levels which previously had been unknown in history, except perhaps among a class of lenders on the fringes of society. Within the United States, the economy has slowed to a crawl, and with that decline has gone a good part of a major market for what we in Canada produce.

The effect of all this has been substantial in every country, but we, next door, have felt it more than most as all those unemployed Canadians, and all those struggling to pay their new and dreadful mortgage rates can readily attest. To ensure continuing investment in Canada, to give reasonable protection to our dollar so that we could go on paying for the things we must import, the government of Canada has had little choice but to let our interest rates keep pace with and indeed, sometimes exceed those set in the United States.

But we must not blame all our problems on forces beyond our control. There are two problems in Canada, recession and inflation, and without reversing the longer term trend toward higher and higher rates of inflation with every new upturn and downturn in output and employment, we will only be fooling ourselves. The policy of restraint is based on our firm belief that printing more and more money or reversing the progress we are making in reducing the deficit by introducing at this time major general stimulus to the economy, would unacceptably risk our chances of reducing inflation and lowering interest rates in the longer run, while achieving only marginal and temporary employment gains.

If the divergence between our performance and that of our trading partners continues to grow the path to substantially better economic times will be even longer and more difficult. No solution is possible without the cooperation of business, labour and government.

This then is the dilemma which we have had to face, the balance which we have had to strike in our economic policies -- the need to continue the fight against inflation as an essential basis for future prosperity, but not at a cost which is excessive to the welfare of Canadians.

We are attempting to pursue a course which will give us the best chance to come out of these difficult days with our economy well prepared to take full advantage of the next phase of economic growth. That next phase, we are certain, will offer Canadians the greatest opportunity in all our history for soundly-based economic development in every region of Canada, and will make the employment picture infinitely brighter than it is today.

The course we are on is a course made in Canada. It is not here that you will find massive cutbacks in the great social programs which serve the people. These programs for Canadians, health insurance, assistance for our senior citizens, family allowances, unemployment insurance, and many others, were, and are, an expression of our national will, of our desire to work together, to share together. Their importance is greater than ever in these difficult times, and we are dedicated to making them better still, when the economy gets rolling again.

Our course is one of restraint, but we do not seek restraint alone. We are also seeking equity for all. This means as fair a sharing of the burden as we can devise. Our protection of the great social

programs is undertaken in that spirit -- as are the recent changes we have proposed in the income tax system, and the special help we are extending to industries which find themselves in particular difficulty. Our goal is to help those most in need.

But our course is still more than 'restraint' with 'equity'. Its third component is economic renewal, the future well-being of Canadians.

I spoke a moment ago of the next phase of economic growth; and of all the jobs that it will bring. The recent report of the Major Projects Task Force -- put together by a voluntary group of business and labour leaders -- forecasts that an almost unbelievable total of \$440 billion will be spent in Canada over the next 18 years, from here to the year 2000, on what they have called the 'mega-projects'.

The Task Force made many recommendations to governments to ensure that Canadians will capture maximum benefits from the mega-projects. The Canadian government agrees that this must be a priority and will be responding positively in the next few days to this initiative by the private sector. I ask all Premiers to join with us to ensure that the advice we have received from business and labour is turned into action by all governments.

I believe that it is in concentrating upon our economic renewal, in preparing the way for the next phase of growth, that we can best serve the people of Canada at this conference.

So far as the government of Canada is concerned, we have already set out our vision of the Canadian economy in the 1980 's in the strategy paper we published last November, a vision of prosperity and fairness. We indicated at that time our intention to

concentrate on five economic areas of top priority: industrial development, resource development, transportation, export promotion, and the development of our human resources. It is within this framework, a framework which has its parallels in many of your own plans, that I hope we around this table can come to a shared understanding of Canada's great potential and of what each of us must do to help Canadians achieve it.

Our November strategy paper not only set out our vision for the 1980's, it set out our priorities, and allocated over \$42 billion to economic expenditures, and another \$18.2 billion to energy development, for the period from now till 1986. This will mean an expenditure of over \$60 billion to be spread over just five years, an unprecedented commitment to economic development by the government of Canada. And we went beyond this general commitment, and set out a long list of work underway, and of new programs and projects to come in order that Canadians could understand exactly what we had in mind, exactly how we would be creating those jobs that so many Canadians are seeking.

Petro-Canada, for example, will have a capital budget this year of some \$900 million, and hundreds of industries across Canada will be called upon to supply it with a wide range of services, equipment and material.

The federal budget for research and development is now in the order of \$1.5 billion, and we are helping new high-tech industries which before long, will be well able to compete world-wide. We all

watched recently while the 'Canadarm' went through its first trials out in space. The agreement I had the pleasure to witness a couple of weeks ago in Mexico in which Mitel of Canada will be selling more than \$50 million in sophisticated communications equipment, is another example of the possibilities of more jobs for Canadians.

To help traditional industry adjust to new conditions, we have a series of assistance programs in place, with more than \$350 million to be spent over the next three years. We have committed another \$250 million to helping the hard-pressed producers of clothing, textiles and footwear. Federal incentives have resulted recently in Mitel agreeing to build factories in depressed areas of New Brunswick, Quebec and Ontario, with more than 3,000 new jobs to be created.

You are already familiar with the \$1.3 billion which we have already set aside for railway transportation improvement, particularly in western Canada, over and above the \$1.8 billion already committed, as clear evidence of the priority we are giving to this crucial aspect of our economic development.

I can tell you today that we are very close to a final decision on how we plan to proceed on western transportation. Within a few weeks, the federal government will propose a set of principles for resolving this matter, a more precise allocation of funds and a process for consultation with all those concerned, particularly western Canadians.

Through the Federal Export Development Corporation, we are now giving direct assistance to exports worth \$1.5 billion, and have outstanding export loans and insurance of more than \$3 billion.

On human resources, we are already spending more than \$850 million a year in support of training programs to prepare Canadians and particularly young Canadians for employment. This is now more important than ever given the technological changes going on around us and the adjustments our industries will have to make to handle tougher competition. It is of critical importance if Canadians are to be ready to take on the vast new demands for skilled workers which the next phase of economic growth will bring.

Because we want Canadians to have those opportunities, and soon, we have already, as you know, opened discussions with the provincial governments, and plan to bring in a new, more effective National Training Act to cover the federal government's future contribution to this essential enterprise.

These examples will, I believe, give assurance that we, in the government of Canada, are acting positively to follow up the commitments and plans laid over the past year, particularly on the five vital aspects of economic renewal in our strategy for the 1980's.

As each of the Premiers speaks around the table this morning, I will be listening with deep interest, as I am sure will all Canadians, to hear of the work which the provincial governments are doing for the economic renewal. Last August, when you, the Premiers, met together in your annual conference, a measure of agreement was achieved on a nine-point "Economic Recovery Program." Probably many of you will wish to refer to these points today, and to take stock of progress.

I will be pleased to report during the conference on what the government of Canada has done in a spirit of cooperation with your proposals. For example, the first point called for the "Conclusion of

a Fair and Equitable Energy Agreement," and this has, of course, since been achieved with Alberta, Saskatchewan, and British Columbia. We are hopeful that, within a few weeks, we will have an agreement with Newfoundland and Nova Scotia as well.

I would specially like to hear your assessment of progress in provincial affairs concerning such matters as special measures and I quote "Special Measures to Improve the Competitiveness and Productivity of Canadian Industry," and another of your nine points, "Strengthening the Canadian Transportation System." I wonder, for example, whether the four western Premiers are nearer to reaching agreement on what they think should be done to solve the "Crow Rate" problem.

I know you share my concern that we strengthen our economic union and widen the market in Canada for our industries so that they can compete more successfully here and abroad. You will want, I am sure, to give attention to ways of reducing the local preferences which work as barriers to trade and in the longer run mean fewer jobs in Canada. I would propose that we move this important issue back on to the national agenda, and that our Ministers meet urgently to see what can be done.

Chaque palier de gouvernement au Canada doit s'acquitter d'une tâche énorme. J'ajouterai qu'en vertu de notre régime, la responsabilité générale du progrès économique du pays revient au gouvernement canadien, mais que chaque gouvernement provincial peut faire énormément pour renforcer l'économie de sa province et collaborer avec le gouvernement fédéral et les autres provinces à consolider l'économie de toute une région.

Nous avons la capacité de conjuguer notre action ou, au contraire, de déployer nos efforts contradictoires au détriment de tous et chacun au Canada. Il n'y a aucun doute sur ce que les canadiens attendent de nous.

Nous, du gouvernement canadien, souhaitons travailler plus efficacement au renouveau économique du Canada et collaborer plus efficacement avec vous, pour ce faire. la réorganisation que nous avons effectuée, il y a deux semaines, au sein de nos ministères et départements d'Etat à vocation économique s'inscrit dans le droit fil de cet objectif.

Nous avons créé, il y a une douzaine d'années, un ministère connu sous le nom du MEER, qui avait pour principale mission le développement régional. Le problème, comme nous nous en sommes rendu compte à la longue, c'est qu'un seul ministère ne pouvait suffire à la tâche. Nous devions trouver une façon d'inscrire la préoccupation du développement régional dans chaque décision du gouvernement fédéral, concernant les politiques nationales d'ordre économique ou fiscal ou encore l'expansion industrielle. Voilà ce qui nous permettra de faire la nouvelle réorganisation, et nous aurons, de ce fait, une conscience plus aiguë et une préoccu-

tion encore plus marquée des besoins, des aspirations et du potentiel de chaque région et de chaque province. Pour être franc, je dois ajouter que l'expérience nous a également démontré que le développement économique véritablement coopératif ne pouvait avoir lieu lorsque le gouvernement canadien se contentait de transférer de l'argent aux provinces et de leur souhaiter bonne chance.

Le gouvernement canadien a des responsabilités face au développement économique régional. Nous allons nous en acquitter et en être tenu comptable en nous occupant plus directement des problèmes des canadiens et des possibilités qui leur sont offertes. Cette nouvelle approche pourrait bien nous amener à concentrer davantage notre activité sur les aspects du développement industriel que nous sommes le mieux en mesure de favoriser et partant à travailler moins souvent dans des domaines qui vous concernent, vous, les provinces, au premier chef comme les travaux publics.

Aussi nous faudrait-il planifier ensemble et travailler ensemble ou de manières complémentaires, à la réalisation de notre objectif commun: le renouveau économique de toutes les régions du Canada.

Before closing, I would like to say a few words about the discussions our Ministers of Finance have been having over the past several months on the subject of intergovernmental fiscal arrangements. Unfortunately, they have not resolved some of the issues which must be settled in the normal continual review of these programs. I do not believe it is for lack of trying where there have been a long series of meetings of Ministers and officials, but perhaps it is a reflection of the age-old problem of sharing the burdens as well as the opportunities.

Canadians are only too aware of the responsibilities of restraint which I have talked about this morning. The government of Canada has offered to the provinces a package of transfers and tax changes whereby total transfers to provincial governments over the next five years will grow on average by close to 12 per cent. We have deliberately designed this offer so that transfers to the provincial governments will continue to grow faster on average than the rate of growth in federal outlays minus the transfers. In other words, the government of Canada is far from shifting its deficit to provincial governments but, rather, is helping the provincial governments in general at a faster rate than we are helping ourselves.

This then is the last issue which First Ministers must address during the course of our consultations and I am confident that with goodwill and realistic expectations on all sides we will arrive at a settlement which is fair for all governments. We cannot allow this issue of fiscal arrangements, important as it is to all our governments, to stand in the way of what Canadians expect of us at this meeting: to address seriously and cooperatively Canada's pressing economic problems and what must be done to build a better future for all.

The government of Canada, like every national government around the globe, has an awesome task these days in trying to steer the wisest course. We believe in the course we are on here in Canada, but we believe equally in the need to look again and again at what we are doing and at the way in which the economy responds to the actions we are taking. You can be sure we will listen carefully to the assessments you will be giving us. We will also be renewing our efforts to consult business and labour leaders and others as we build towards a new national consensus on the economy.

Moderation in our demands for prices, wages and profits is something few would oppose if we can assure Canadians that we are setting a more stable course for economic renewal and prosperity.

We are passing today through one of the stranger moments of our economic history. We are experiencing a recession with all the sadness and upset which that entails for so many people, yet at the same time the signs are all around us of a brilliant future for Canada. By my remarks this morning I have shown the contrast clearly: the unemployment, the inflation now, the great prospects for high employment and stable growth which lie ahead.

The task for us here at this conference is to see what we can do, each of us and together, to bridge the gap to that brighter future, to advance its coming. What obstacles to that future can we remove? What new measures can we take to encourage its arrival? What can we do to make the waiting time less onerous for all Canadians and especially for those who have been hit the hardest? We, in government, will need intelligence and ingenuity and wisdom if we are to succeed. Every Canadian expects no less and we must not fail.

I will now call on Premier Davis of Ontario.

HON. WILLIAM DAVIS: Mr. Prime Minister,

I want to at the outset just digress for a second and extend my best wishes to the two new Premiers. I don't traditionally do this but with respect to the Premier of Manitoba in particular I should point out because I always point out history, Mr. Prime Minister, that this is probably the first Premiers' Conference where two graduates of Brampton High School, that is where I come from, Mr. Prime Minister, are seated around this table. The only problem was that the present Premier of Manitoba obviously didn't have the same teachers and became somewhat philosophically misguided during his tenure in that great institution, but it is a matter of historical record, Mr. Prime Minister, that the Premier of Manitoba was there in first form, as we called it then, when I was there in fifth form which shows just how much younger he is than I am, but I thought you should know that, sir. No one else may be interested, but I thought you should.

THE CHAIRMAN: Thank goodness not many more of us went to Brampton.

HON. WILLIAM DAVIS: Sir, I think it would be salutary if you were to come to Brampton and live for a while. I mean you might...

THE CHAIRMAN: I meant Brampton High.

HON. WILLIAM DAVIS: It is now Brampton Centennial. I should not have digressed, but it was an intriguing fact of history that I thought I should mention.

Mr. Prime Minister, I believe that this is a unique opportunity to endeavour to seek some national consensus on the economic problems which face all Canadians. They are different in every province, I guess, in this country, but I think there are certain common threads that we can all see or will all sense during these discussions. And I can only speak for myself, but I might presume to feel the attitudes of others that all of us, sir, are anxious to see how we can properly develop this opportunity and be as constructive as possible. The

province of Ontario, sir, as you will recall, has been suggesting, along with the Premiers' Conference, a meeting of this nature, and I am not here to express regrets other than to say if a meeting of this nature had been held some months ago that perhaps some of the solutions that we are now seeking might have been more readily attainable.

I think it is obvious, you said it in your own opening statement, sir, that the need for some action is very evident. And I don't think I am overstating it when I suggest, with respect, that national anxiety, that is the term I use, over economic issues, certainly in our own province, I don't think has ever been higher, certainly since I have been involved in political life.

I think there is the appearance of lack of national leadership and I think it has, in our province, undermined the belief of Canadians in their own country, in their future, and while the consumer confidence index isn't the greatest measure, it is nonetheless some indication. It is quite obvious that the confidence level is very low.

Mr. Prime Minister, I am not an economist. I argue with some of those who advise me on economic issues that you can look at the statistics, you can look at all the data in the world, but that doesn't always impress the average person, the average consumer. Sometimes it is a state of mind. It is as much a perception in some cases as the reality of the factual information.

Now, Mr. Prime Minister, I think it has been evident around these conferences that, certainly at home, I am known of something of an optimist, someone who believes that when people, men and women of goodwill work together and try to achieve success that we are capable of resolving some of these issues. I don't attend this conference, sir, with any different sort of

attitude. I still remain an optimist. There is no question in my view that the economic difficulties in which we find ourselves can and will be solved, but unless we, who are the elected representatives of the people of this country, can first understand to a greater extent their concerns and then work together in a program of action to address those shared concerns, the solution will, I think, tend to elude us. I am sure other first ministers did this, Mr. Prime Minister. I am sure you did. I sat down with a number of Ontarians, sat down with our Ontario Federation of Labour, representatives from the Auto Parts Association, the Business Advisory Council, representatives from our farm community, small businessmen and consumers and I come therefore to this table, I hope, conscious of their very real concerns about the state of our economy; and I share their belief, because they mentioned it time and again, that governments must start working together if Canada is ever to achieve the significant economic progress and potential which you referred to, sir, in your opening statement.

I will try and tell you, Mr. Prime Minister, what I sense Ontarians are worried about. I would expect they are very similar to Canadians in other parts of this great country. The litany is sadly familiar. As you said, a million Canadians are out of work. The highest unemployment rate since 1945, lay-offs, bankruptcies continue. Consumers suffering from double-digit inflation which is, I guess, the highest in probably three decades. In addition, historically high interest rates are causing enormous distress to manufacturers, to our farm community, small businessmen, to home-owners and, in fact, I don't know anyone who is escaping.

I do not, Mr. Prime Minister, and cannot disagree, in all good conscience, with those Canadians who fear that their ability to earn a livelihood, -- just to protect their families and their homes, to build a secure future, -- has been diminished by the current economic malaise. But I would argue that underlying these very real and personal anxieties is a more fundamental concern which really goes to the root of what I sense, in our province, is ailing the economy and I think it applies to other parts of Canada. That concern, sir, simply stated, is the growing lack of confidence which Canadians feel about the economy, their own personal prospects for success and the future of this country itself.

I would not want to mislead those Canadians watching our proceedings today or those who will be following the progress at this Conference, that any quick fix will be found in the next few days. I am a realist, sir, and you made that clear in your statement but we do have an opportunity to send, I think, a very strong signal to Canadians as their elected representatives; that we will spare no effort to build

a better economic future in this nation.

I believe that we have to have the political will to meet this challenge. I believe that Canadians have the political right to expect that we can. You know, Mr. Prime Minister, when someone is unemployed, and I have not personally faced that prospect -- although in our process there are those who would like to see me in that position every three or four years as they do with others around the table -- I can't speak from personal experience but I have talked to enough who have. When someone who wants to work can't find a job opportunity and when those who are working are unable to stretch their earnings to cover even the basic cost of shelter and support, and when families and even whole communities are put into disarray by a series of economic policies which just do not seem to work, then those of us who are entrusted with public office have, in my view, an absolute responsibility and a moral obligation to respond to the needs of those people we serve.

And so on behalf of the government of Ontario, sir, I am tabling a number of proposals for economic recovery which we think will help and which we hope will receive your fair and open-minded consideration.

I recognize, as was pointed out in your statement, that the government of this country cannot control all the factors which affect the Canadian economy. We are very aware of this in the province of Ontario.

The current economic downturn being experienced in the United States, in western Europe, in tandem with the policy of high interest rates currently being pursued by the government of the United States, these have had enormous impact upon the governance of economic policy within our own boundaries. No one is minimizing that. Surely Canada, as all other nations, must have the freedom within those boundaries to achieve an

economic performance which affects our own economic and social priorities.

It does not seem to us that the narrow pursuit of American interest rates, with a view to controlling Canadian inflation, has refelcted two other key national priorities: sustaining and creating jobs for our citizens and effectively lowering the rate of inflation. It is our view that trying to stop inflation by deliberately increasing unemployment and reducing domestic demand carries an unacceptably high social and economic cost. And even if you don't agree with that, Mr. Prime Minister, it is apparent, at least in our province, that it is not working.

There is no question that inflation remains a central problem in the Canadian economy. We suggest that ways must be found which share the sacrifices more equitably than they are now. I read the Minister of Finance when he called -- I guess yesterday, Mr. Minister -- on Canadians to make certain sacrifices. Mr. Prime Minister, I can't speak for a lot of people. I have always sensed this though, that if people are being asked to make sacrifices they want to feel that there is some measure of equity. They want to feel, Mr. Prime Minister, that if we are making sacrifices, that we are all making something of a sacrifice. It's pretty hard to say to a person at MacDonald-Douglas or American Motors, fairly close to my constituency, Mr. Prime Minister-- because I happened to be there -- who are unemployed, that they should be making any further sacrifice when they see the inequities still in the system.

Government, in particular, has, in our view, a specific responsibility to lead in the exercise of restraint. I think, Mr. Prime Minister, that the province of Ontario, and you can correct me if I am wrong, has been to Ministers' meeting after Ministers' meeting over the past number of years, talking about restraint. Nevertheless, I would register this caution with the

government of Canada, that reducing your own expenditures merely by passing the burden to the provincial partner, is not restraint as we measure it. I would hope, quite sincerely, that we--as 11 governments working together because we are working for the same people -- can find some compromise on the plan of the government of Canada to cut back shared-cost programs like health, education and social services, designed to meet the needs of all Canadians.

Let us, with the aid, and I welcome your suggestion, Mr. Prime Minister, that there is some flexibility, that you would like to see some compromise if we could put this issue to rest and sort of separate it -- if possible, from our discussion on economic recovery and on economic growth -- so that the full efforts can be devoted to a cooperative action on the important economic issues facing us.

In fact--I know it won't meet with the Minister of Finance's unqualified enthusiasm or those of his advisors and -- I would refer him to Toronto's leading evening newspaper, and I can say that because it now only has one, where last evening or the evening before--and it comes out at about 10 o'clock in the morning--had a very excellent editorial--and I don't often comment on newspaper editorials because they don't often agree with me and that is why I don't comment -- but Mr. Prime Minister there is one, in terms of the proposed cut-backs, the timing and the impact and I know the Minister of Finance has read it and he will be assessing it very carefully.

I would even suggest that some consideration be given, due to the economic situation in which we all find ourselves, that the whole question

of shared-cost, or the solution to the fiscal arrangements, be hoisted for a period of a year. I know that is not really what the Minister of Finance would like to achieve, but I tell you it is clouding the issues, it is complicating all of our collective lives.

I have always felt, Mr. Prime Minister, that the greatest social program we can devise for our citizens is economic growth; growth, which allows individuals the chance to prosper and allows government the resources to aid those less advantaged in the Canadian community.

We have also suggested, Mr. Prime Minister, actions, which could be taken immediately, to stimulate economic activity and expansion, and I am not referring to those things ~~that~~ would only complicate the whole question of inflation.

I am delighted to hear you say, sir, that the advice, that you have been receiving with respect to some of the larger projects across this country, are perhaps in the process of some finalization. I sat at this conference, I heard the Premier of Saskatchewan referring to some energy projects, I heard the Premier of Newfoundland. I know the efforts that are being made in Alberta by the government of Canada to move ahead with some of the synthetics. Surely these are the things, Mr. Prime Minister, that not only in terms of perception but in terms of reality would give us something of an impetus to the economic recovery in this country, and I was encouraged once again--your words again--about rail service in western Canada. I would only mention to you sir, that we could do with a few

dry dock facilities in the Great Lakes when I see some of our merchant fleet we propose being built in countries other than our own. In fact, if I had to, I would much prefer to see them being built in one of the Atlantic provinces than offshore. I find it difficult when I see these projects that are in the process of being developed when I read that it may be built, a couple of these ships somewhere other than here. I just think we can be creative enough to find ways that that does not happen.

In our proposals, Mr. Prime Minister -- you will be delighted that I am not reading them all to you because the document is yea thick--we will be offering recommendations governing the long-term development as well and it is not my intention to take aim at the federal budget on this occasion. The temptation, Mr. Prime Minister, is there, but I am resisting it. I suspect the debate on that issue will take place long after this conference. But I would say that we have an opportunity at this conference to redress a most serious failing and that is the lack of any pragmatic program for economic recovery, or any plan for our future growth and prosperity.

Clearly a commitment to productivity growth must be one of our highest national priorities and I only say, and I say this most constructively, Mr. Prime Minister, because you put out a bit of a challenge to the Premiers saying, "How are you doing in your own province relative to some of the discussions you held last August?". We are making an effort to increase productivity, but I will give you one example, Mr. Prime Minister the steel industry in this country, the steel industry in Ontario, is productive, it is competitive. But I think you will find, in terms of the most recent budget, that it is limiting the competitive

capacity of the Canadian steel industry and that, to me, sir, serves no useful purpose. It is one thing to say to the provinces, what are you doing to see what you can do to improve productivity, when certain policy or tax measures reduce our competitive position particularly with our neighbours to the south. We are looking at this whole question in our paper of creating a climate of confidence, encouraging small business, increasing investment, the development of human resources and enhancing export trade opportunities.

I think governments can, sir, help to achieve a climate of confidence upon which economic growth will be based. For example, the federal government should move towards reducing time required for reviews, and I say this constructively, the rather arbitrary authority currently exercised by FIRA, to encourage the investment necessary to create new jobs and higher incomes for Canadians. I am not debating the philosophical nature of FIRA at this conference, at least, certainly not at this moment, Mr. Prime Minister. I am talking about the perception as to the time, the rather negative sense that people get when they deal with that agency, and I know Mr. Gray can tell us and others that the record is very good. The numbers of approvals are very high. I can also point out, that in terms of the people with whom we do business, there is still that perception.

Similarly, I think all governments should cooperate to ensure that any changes in the rules governing saving, investing, working, must be pursued in the spirit of consultation. I would say with respect, Mr. Prime Minister, that the fundamental restructuring of the tax systems which occurred within the context of the federal budget--I am not referring just to increases of taxes or diminution of taxes, I am referring to what I sensed was a philosophical change in the budget and which was outside the sphere of public review prior to the budget -- has seriously disrupted the ability of thousands of Canadians -- and I am not referring to the banks or the large investment people, I am referring to the smaller investor -- to plan for long-term investment in our economic future. I happen to believe, Mr. Prime Minister, this can and must be corrected.

Secondly, governments must devise policies which stimulate the creation and growth of the small business community which is almost wholly Canadian. We don't get into this philosophical argument of the

multi-nationals, the extent of ownership, foreign or otherwise, when we deal with the small business community. We will recommend the development of a Canadian domestic marketing agency to support all firms, but particularly small enterprises, in providing supplies and services to major capital projects, as just one option, sir, which might be pursued in this vital sector.

Thirdly, government must increase the pool of savings available for that investment which is necessary to re-tool, re-structure and rationalize our industrial and resource sectors.

As such we will recommend that the federal government fund the establishment of a Canadian industrial adjustment bank to assist industry to adapt to the rapidly-changing environment of the 1980's.

In particular, Mr. Prime Minister -- and I want to assure you this doesn't reflect although the major component is in Ontario, no question, but it does impact on our sister provinces -- we should cooperate in the implementation of a national automotive parts program which would allow this critical industry to re-structure to meet its competition. I just point out, Mr. Prime Minister, when I say it is not all Ontario, in British Columbia for instance, 70 firms are involved in the automotive parts industry: direct employment, Mr. Premier, 5,000 and indirect of 30,000. I just had to make the point that it wasn't all confined to the province of Ontario or Quebec.

And while this re-structuring is taking place, the government of the province of Ontario would urge the federal government to increase substantially the Canadian content in vehicles imported from offshore. Surely some degree of domestic control within the automotive industry, an employer of tens of thousands of people, is a worthy goal as Canadian content of, say, our airwaves. I would just point out, Mr. Prime Minister, because it is something that will be discussed, I am

sure, in some of our private sessions, but I notice the Minister who is very directly involved and represents a good part of the automotive sector in his own constituency. Mr. Prime Minister, our gentleman's agreement, if that is what it is, with Japan with respect to imports, I think comes to an end at the end of March, whatever it is, Mr. Gray. We are very concerned as to what is going to happen in that negotiation. We look at the United States and I heard reports of Mr. Brock when he was here talking about freer trade, etc., etc. Theoretically great, except the United States has negotiated a three-year agreement with respect to automotive imports with Japan. And its figures I would argue are somewhat on a percentage basis lower than this country. And I think that we can afford to be firm in terms of not protecting but allowing this important sector to alter, to restructure, and to adapt because it does involve -- it is not a question of finding alternatives, it is fundamental to the economic welfare -- I say, with respect, not just the province of Ontario.

Mr. Prime Minister, there are many others contained in the document. As I said at the outset we don't approach this meeting as an opportunity to be critical. I know the problems with which you and the Minister of Finance are troubled. I know it is not simple, but in spite of this we suggest, with respect, sir, that there are some changes that can be made. I shouldn't say this in front of my own Treasurer. I sometimes think we get sort of caught up in these traditions of budgets, of credibility, and there can only be one budget a year and you have to hang tough and it has got to be right and you lose something if you recognize that even in a 60-day period some conditions change, that you have to alter. I don't believe, Mr. Prime Minister, that a treasurer or minister

of finance loses much if, in fact, they change their point of view to reflect the concerns of the people they represent -- that is a little political advice I feel very presumptuous in offering, sir, but I'm doing it anyway.

I remain an optimist, sir, I honestly believe there are solutions. They are not easy, they are not simple, they are not immediate, but I think we have to have the courage around this table and in our private sessions to attempt to find them because I believe the people of this country, sir, deserve no less.

THE CHAIRMAN: Thank you, Premier Davis.

Le premier ministre Lévesque a la parole.

HON. RENE LEVESQUE: Alors, monsieur le président, je voudrais m'excuser d'abord d'être arrivé un peu en retard, ce qui paraît-il, ce qui m'a hélas privé d'une partie de votre intervention et ce qui paraît-il, a amené des gens à la télévision à se demander si on était déjà retournés à Québec, et pas tous nécessairement pour le déplorer; non, la raison est très simple, c'est qu'il avait été convenu -- mais là il y a eu des changements, enfin espérons qu'il y en aura d'autres pendant ces trois jours -- il avait été convenu à la réunion des fonctionnaires du 18 janvier, que la réunion était convoquée pour 9h30 pour 10h00, c'est-à-dire 9h30 pour 10h00, alors nous avons tâché d'arriver à l'heure pour 10h00, mais malheureusement vous aviez déjà commencé. Ce qui n'empêche qu'au nom du gouvernement du Québec, je voudrais souligner d'abord que nous apprécions grandement la tenue de cette conférence sur l'économie, même s'il aura fallu des mois et des mois pendant l'année dernière pour que l'insistance des provinces aboutisse enfin à ce résultat. Et même si en fait voilà 4 ans ce mois-ci qu'on amorçait en '78 des réunions qui devaient ensuite avoir lieu annuellement et qu'on attendait à la suite depuis ce temps-là.

Si on avait suivi, dès 1979, les perspectives qu'on avait tracées ensemble alors, est-ce que la situation économique serait moins catastrophique, ça, on ne le saura jamais! Une chose certaine c'est que ça n'aurait pas pu l'empirer. Une chose certaine

aussi c'est que les provinces, et le Québec pas plus que les autres, n'ont eu aucune véritable prise sur ce qui se passait, sur l'emploi qu'on faisait des gigantesques budgets fédéraux et des grands leviers stratégiques qui sont actionnés exclusivement d'Ottawa. Bref, depuis 4 ans on peut dire qu'on n'a rien eu à dire ou plutôt quoiqu'on ait pu dire ça a été tout comme en ce qui touche la gestion économique fédérale et ses résultats.

Après tout ce temps de management économique et financier foncièrement unilatéral, on était donc en droit de commencer par se demander ce qu'on allait faire ici. Et vous me permettrez de vous dire qu'on se le demande encore davantage depuis que, hier, à la veille même de la conférence, un groupe de vos hauts fonctionnaires présentaient aux média d'information, l'approche -- comme on dit en anglais -- c'est-à-dire la façon dont on voyait cette réunion. Ils se sont évertués à souligner à quel point ça n'aurait rien de décisionnel, qu'on n'était pas ici pour décider quoi que ce soit ou même -- si j'ai bien compris -- pour aider à décider quoi que ce soit. Et pour que ce soit bien clair, tous les documents qui ont été alors distribués à la presse hier, parlaient non pas de conférence, ce qui aurait pu impliquer quand même quelque chose d'un peu décisionnel dans la pratique de l'usage des mots, mais tout simplement de consultations fédérale - provinciales sur l'économie. Si tel était vraiment le cas on aurait pu probablement s'éviter ce voyage et tout le dérangement qui l'accompagne et simplement faire parvenir nos opinions par la poste.

Mais jusqu'à preuve du contraire, nous refusons de croire que ça puisse être comme ça, il nous faut bien penser que tout ce branle-bas et toute la préparation qui

l'a précédée ça vise sérieusement à ce que nous puissions accomplir quelque chose ici, accomplir quelque chose ensemble, quelque chose de concret et de rapide, c'est-à-dire quelque chose qui commence à correspondre à l'urgence de la situation.

Dans les deux interventions qui m'ont précédé, celle du premier ministre fédéral et celle de monsieur Davis d'Ontario, on a, comme il se doit, évoqué le contexte devant lequel nous sommes à partir de statistiques qui déjà sont assez pour donner le frisson : plus d'un million de chômeurs, sans compter tous les autres par milliers à travers le pays qui jettent pour ainsi dire le manche après la cognée, qui ne se donnent même plus la peine de se chercher de l'emploi jusqu'à nouvel ordre. Et aussi on évoque derrière les statistiques, ce qui est vrai, ce million et quelque cent mille personnes, trop souvent avec leur famille à part ça, qui sont plongées dans l'insécurité et un terrible sentiment d'inutilité comme si on les jetait aux rebus, et qui sentent leur dignité d'homme et de femme cruellement atteinte comme jamais auparavant.

Et à mesure que s'allonge le cortège des faillites, des fermetures et des mises à pied temporaires ou permanentes et c'est un domaine où si ça continue le temporaire risque d'être permanent danger, et tant de foyers, y compris leur propre foyer, qu'on ne peut plus garder à cause des hypothèques, des taux d'intérêts, ces personnes commencent même à se demander ce que l'avenir peut bien réserver à leurs enfants.

Il faut vivre claquemurés dans une tour d'ivoire pour ne pas comprendre et sentir, il ne s'agit

pas seulement d'en parler mais pour comprendre un peu et sentir surtout ce qui se passe, et ce qui se passe, c'est que la confiance qui est un ingrédient indispensable de toute relance économique c'est que la confiance est à la veille de disparaître complètement, si c'est pas déjà fait. Et ce qui urge le plus, c'est de rétablir cette confiance, et ça comme vous l'avez si bien dit vous-même dans un des messages que j'ai reçu de vous, monsieur le président, ça se fait pas par la rhétorique, mais par l'action. Une action qui tienne compte, et qui tienne compte vite de la gravité à peu près sans précédent de la situation économique.

En plus d'un minimum de bonne foi et de respect mutuel sur lequel il faut toujours compter en dépit des déceptions qu'on a pu vivre, cette bonne foi et ce respect mutuel sans lesquels toute cette opération demeurerait vaine et sans suite, ce que ça exige, c'est qu'on se parle franchement. Qu'on identifie bien les causes principales du marasme effarant dans lequel on se débat et qu'on dise aussi bien ce que nous entendons tâcher de faire comme gouvernements provinciaux, les uns et les autres, que ce que nous attendons du gouvernement fédéral. Les choses étant ce qu'elles sont et s'agissant de gestion et de développement économique, nous jugeons quant à nous au Québec que ce serait inutile, que ce serait aberrant en fait de ne pas aborder de front, des problèmes que s'y on tarde à les régler, risquent de nous mener à un désastre qui pourrait devenir irrémédiable.

Bien sûr nous avons, comme le premier ministre d'Ontario, nous avons aussi au Québec des idées, des

projets concrets à évoquer. On va le faire pendant la conférence. Nous avons des choses à proposer, qui demanderaient, dans la plupart des cas, la coopération, c'est censé être l'équilibre fédéral-provincial, la coopération d'Ottawa pour se réaliser.

Mais si on ne veut pas mettre la charrue devant les boeufs et comme on dit en anglais, si on veut vraiment faire 'first things first', il y a trois sujets sur lesquels nous tenons à insister, parce qu'ils nous semblent primordiaux et absolument prioritaires.

Premièrement, les taux d'intérêts meurtriers qui sont en train d'étouffer l'activité économique.

Deuxièmement, la négociation de ce qu'on appelle les accords fiscaux où les intentions fédérales semblent viser mordicus à priver plusieurs provinces et en particulier le Québec de toute marge de manoeuvre, en tout cas pour l'année qui vient et dans cette immensité et cette diversité presque infinie qu'est le Canada.

Troisièmement, il y a cette volonté totalement irréaliste à notre avis qui semble hélas se dessiner ici à Ottawa, la volonté de se substituer le plus possible aux gouvernements provinciaux, de leur passer littéralement par-dessus la tête, pour centraliser au maximum, les politiques de développement régional, alors qu'il faut bien le dire, le fédéral semble déjà en avoir plein les bras avec des politiques qui sont véritablement de son ressort. Ce qui nous ramène d'abord aux taux d'intérêts.

L'an dernier, pendant le plus clair de l'année '81, les taux d'intérêts pratiqués au Canada ont été proprement démentiels. Ils ont même, à un moment donné, été les plus élevés du monde industriel. Il y a une foule

d'autres pays qui réussissaient à s'en tirer autrement. Nous, on était les champions toutes catégories.

Le 26 janvier, c'est-à-dire la semaine dernière, le ministre des finances fédéral, nous laissait entendre encore une fois, que ça pourrait bien recommencer. Et tout ça comme on dit c'est pour juguler l'inflation. C'est ce qu'on dit, c'est ce qu'on répète depuis '75, '76 en particulier. En fait, on pourrait dire -- et je dois le dire -- que l'obsession de ce gouvernement fédéral qui, sauf un hiatus de quelques mois en '79, '80, a été au pouvoir sans arrêt pendant 14 ans, excepté peut-être pendant la campagne électorale de '74 pour des raisons conjoncturelles, cette obsession constante a été toujours la même, toujours la même, le chômage moins important que l'inflation. On se souvient qu'il y a 4 ans, en '78, on nous évoquait pour 3 ans plus tard la perspective emballante d'une inflation qui serait réduite à 3½%. Après ces 3 ans d'efforts méritoires, l'an dernier, donc trois ans plus tard en '81, toute cette admirable persistance nous avait conduit à quelque chose comme 12½ à 13% d'inflation.

Ce qui ne veut pas dire que l'inflation ce n'est pas un problème. C'est un problème. Seulement le chômage est sacrement plus important puis plus pressant en ce moment avec tout ce que ça implique de gaspillage de ressources humaines, de ressources matérielles, qu'une lutte à l'inflation qui jusqu'ici n'a donné aucun résultat, sauf des résultats négatifs.

Et on est en droit de se demander et tout le monde se le demande -- en dehors d'Ottawa en tout cas --

comment il se fait que quand on a une recette qui n'a pas marché pendant tant d'années, on n'arrive pas à avoir le minimum d'imagination qui dirait: bien peut-être qu'il faut en changer la recette, la changer jusqu'à un certain point en tout cas, et que ça presse. D'autant plus qu'en même temps, cette politique a réussi à casser brutalement l'essor que l'économie québécoise avait réussi à prendre depuis quelques années.

Cet essor vraiment remarquable, monsieur le président et premier ministre fédéral, vous demandiez tout à l'heure -- monsieur Davis l'a rappelé -- ce que les provinces avaient fait de leur côté pour essayer d'améliorer la situation, même si elle se dégradait, puis essayer d'améliorer les choses. Et bien, cet essor vraiment remarquable qu'on a connu au Québec, on le voyait se développer par exemple dans des programmes sans précédent, de modernisation des pâtes et papier où il a fallu insister pendant un an, un an et demi, avant que le fédéral daigne se joindre à nous pour mettre en marche ce programme.

On voyait ça aussi dans les interventions de notre Société de développement industriel, dans le programme de solidarité économique qu'on maintenait depuis quatre ans, de peine et de misère, aussi dans toutes les formes diverses de soutien aux petites et moyennes entreprises qui, comme on le sait, les PME sont le coeur même de la structure industrielle du Québec. Et c'est ainsi que de '76 à '81 grâce à certains efforts du gouvernement mais surtout au dynamisme absolument remarquable, sans précédent, du milieu québécois, 230,000 emplois

avaient été créés du Québec.

C'est ainsi aussi que personne n'avait fait plus de progrès en ce qui concerne cette espèce de notion extrêmement évanescence, difficile à cerner, mais qui est quand même très réelle quand on parle de progrès économique, personne n'avait fait plus de progrès que le Québec en matière de productivité. Enfin tous les experts qui essaient de cerner ça sont d'accord là-dessus.

Personne n'avait fait un effort plus grand, plus constant, plus systématique, en matière d'exportation, que le Québec. J'ajouterai que je ne connais pas beaucoup de gouvernements au Canada, et je dois dire probablement pas le gouvernement fédéral, en particulier, qui ait fait plus d'efforts que le gouvernement québécois, à la fois pour comprimer les effectifs et les dépenses du secteur public ces dernières années. Et puis tout à coup à compter des environs du printemps ou du début de l'été '81, les taux d'intérêts qu'on a tolérés, qu'on a littéralement imposés, ont amené une détérioration en quelques mois en moins d'un an, si rapide et si profonde de la situation qu'on a vu une perte nette de 93,000 emplois.

Et ça, ça se comprend surtout si l'on sait que c'est au Québec de tout le Canada que les PME, les petites et moyennes entreprises ont relativement le plus d'importance et aussi que ce sont elles qui sont le plus durement touchées par les taux d'intérêt que nous avons eus et que nous avons encore, parce qu'elles sont dépendantes du crédit

pour financer leur fonds de roulement et pour maintenir leurs inventaires. C'est comme ça que l'an dernier, dans 2,588 entreprises au Québec, on a connu 40% des faillites qui se sont produites au Canada. Et très souvent, le capital et le savoir-faire qu'on a ainsi perdus seront longs à se reconstituer et dans certains cas ne se reconstitueront jamais.

Ces taux d'intérêt ont eu pour effet par exemple -- et j'ajoute simplement cet exemple-là pour un secteur fondamental de l'économie -- ont eu pour effets de faire baisser l'achat et par conséquent la construction de maisons et de biens durables. Et c'est comme ça qu'il y a eu beaucoup de mises à pied dans le meuble; que le plus grand fabricant de portes et châssis au Québec, la compagnie, la société Unik affronte des difficultés majeures; que l'important fabricant d'appareils électro-ménager Admiral a dû fermer ses portes et que les scieries qui fabriquent des 2x4 pour la construction sont acculés, dans bien des cas, aux licenciements ou aux fermetures.

Le gouvernement du Québec qui voit ses propres ressources réduites par les effets de cette même politique monétaire, on connaît l'escalade géométrique du service de la dette, se voit donc ainsi coincé, acculé à une situation qui est proprement absurde. Pour chaque emploi qu'il réussira encore à créer, il faut plutôt dire à maintenir par les temps qui courent, des dizaines sinon des centaines d'emplois existant disparaîtront du fait directement des politiques fédérales si ça ne change pas et si ça ne change pas vite.

Or, à ce moment même ou plus que jamais le Québec, comme je pense bien toutes les provinces, a besoin de toutes ses ressources financières, non seulement pour tâcher de réduire les dégâts dans l'économie, autant que possible, mais pour maintenir convenablement des services essentiels, absolument essentiels dont on a la responsabilité au niveau provincial. Le gouvernement fédéral s'apprête par-dessus le marché à couper en chiffres absolus nos revenus. Parce que c'est à ça que se résume, pour l'année qui vient en tout cas, la position d'Ottawa dans les discussions sur le renouvellement de ce qu'on appelle les accords fiscaux.

Or, ça arrive ça, au moment où selon toutes les sources les plus autorisées que nous avons pu consulter, écouter, l'attitude, cette attitude fédérale est absolument injustifiable. D'abord -- et ça a été confirmé par un organisme créé par le gouvernement fédéral pour le conseiller, le Conseil économique du Canada, d'abord, grâce aux ententes de l'an dernier sur le pétrole, la situation financière du gouvernement central va s'améliorer de façon spectaculaire pendant les cinq prochaines années. Ça tout le monde est d'accord là-dessus. Et pendant cette même période, selon le même Conseil économique du Canada, les déficits de la majorité des provinces, si rien ne change, vont tendre au contraire à s'accroître à peu près fatalement. Comme le soulignait le président du Conseil économique du Canada, monsieur Slater, il n'y a pas eu d'amélioration dans les sources de revenus de la plupart des provinces ces derniers temps, d'aucune façon, des améliorations qui justifierait

Ottawa de leur transférer une partie de son déficit.

En conférence de presse monsieur Slater a même posé spécifiquement la question suivante et je cite:

"Est-ce que la position fiscale du Québec s'est améliorée par rapport à celle d'Ottawa?"

Réponse: "Non".

Et je ferme les guillemets, et ça vient du président du Conseil économique du Canada, créé pour conseiller le gouvernement fédéral.

On peut même ajouter que cette attitude du gouvernement fédéral va directement à l'encontre des recommandations d'un groupe de travail parlementaire sur les accords fiscaux qu'il a lui-même créé, et dont le rapport a été rendu public au mois d'août de l'année dernière, au mois d'août '81.

Maintenant, si vous permettez, j'aimerais vous montrer graphiquement ce que ça pourrait donner cette intention du gouvernement fédéral. Mais, avant de vous montrer ce que ça donnerait, je voudrais rappeler simplement -- parce qu'il y a beaucoup de gens qui nous écoutent--des citoyens un peu partout au Québec comme ailleurs au Canada, pour qui c'est de la magie noire toutes ces histoires de péréquation de programmes établis, de transferts fiscaux, qu'est-ce que ça veut dire en simple?

Ces accords fiscaux, comme on les appelle, ne sont pas des accords finalement, parce qu'en dernière analyse, c'est toujours finalisé par Ottawa tout seul, à tous les cinq ans.

Ces accords donc, ce sont des arrangements, qui reviennent de cinq ans en cinq ans depuis fort long-

temps. Et ça donne ceci que par divers canaux qui portent des noms tous plus savants les uns que les autres, par divers canaux, il s'agit d'une politique de redistribution des revenus qui est le fondement essentiel d'un minimum vital d'équité pour les populations de plusieurs provinces et pour leur gouvernement qui les représente. C'est d'autant plus vrai si l'on tient compte des disparités dans le développement et du fait que ces disparités, c'est-à-dire ces terribles inégalités -- et qui ne sont pas en train de se corriger en ce moment -- que ces inégalités sont très souvent trop souvent le résultat de politiques essentiellement fédérales, qui ont privilégié -- je dis pas que c'était voulu, c'était pas un complot, mais c'est ça qui est arrivé -- qui ont privilégié telle partie du Canada plutôt que telle autre et que, par conséquent, il faut au moins rétablir un minimum d'équilibre.

Alors, soi-disant pour réduire en partie son déficit, voici graphiquement, ce que signifieraient pour le Québec les intentions qu'annonçait à ce propos le ministre fédéral des finances dans son discours du budget en novembre '81; et je me contente d'évoquer, pour établir des comparaisons, ce qui se passe depuis 1972. Les paiements des transferts, c'est-à-dire cette politique de redistribution et d'équité essentielles pendant les cinq années de '72 à '77 se sont accrus plus vite, à ce moment-là, que l'inflation, c'est-à-dire plus vite que l'augmentation des prix que nous devons rencontrer comme gouvernements provinciaux, que l'augmentation des dépenses auxquelles nous devons faire face pendant cinq ans. Pendant les cinq années suivantes, ces paiements ont augmenté, se sont accrus

en ralentissant et en ralentissant de façon notable, de façon en fait, à augmenter moins vite que l'inflation. Autrement dit il y avait un trou, un manque à gagner par rapport à l'inflation. Et maintenant, les intentions évoquées dans le discours du budget du ministre des finances pour '82/'83 signifient non pas seulement une croissance zéro, mais en termes absolus, si on compare avec ce que même le programme ralenti de ces dernières années nous apportait, en termes absolus, un manque à gagner net pour '82/'83 de \$ 675 millions de dollars en ce qui concerne le Québec.

Bien, comme on dit en langage de tous les jours, c'est pas des "peanuts" Je sais bien, j'ai entendu, j'ai entendu le premier ministre fédéral tout à l'heure nous dire que ça pourrait se rétablir dans les années qui viennent. C'est cette année et puis l'année qui vient que la situation est proprement catastrophique. Je dois ajouter aussi, sauf tout le respect que je dois au président de notre réunion, qu'on a souvent appris à nos dépens, au Québec, et je pense que c'est vrai dans d'autres cas, que un tien ça vaut mieux que deux tu l'auras!

Maintenant, ce qui rend cette perspective non seulement inacceptable, mais absolument invraisemblable, c'est que cette réduction massive, car vous la voyez en noir là par rapport à ce qui existait, cette réduction massive pour '82/'83 croissance zéro et même perte en chiffre absolu qu'on prétend nous infliger, eh bien! elle arrive alors même qu'on prévoit au fédéral -- et ça ce sont les chiffres très directement tirés du discours du budget du ministre des finances en novembre dernier -- ça arriverait au moment où

les revenus fédéraux augmenteraient de près de 20%, de 19,6% et que les autres dépenses, les dépenses directes, les dépenses propres si on veut, du gouvernement fédéral, elles, augmenteraient de 13,6%.

Il y a un trou entre les dépenses et les revenus, qui sera sûrement comblé, ça, c'est évident, de quelque chose comme 6%. Ce trou, il est pris à même ce que le Québec est en droit, quant à nous, de recevoir, surtout dans les circonstances actuelles. Et comme il s'agit de pas mal plus d'argent, de milliards de plus que ce qu'on prétend nous enlever, bien ça pourra servir -- j'en suis sûr -- à saupoudrer des expériences ou des projets fédéraux plus ou moins matures, comme on l'a vu la semaine dernière, de la part de 4 ministres fédéraux, qui se promenaient un peu partout au Canada pour parachuter de la manne! Quoiqu'il en soit et quoiqu'il arrive de tout ça, pour le gouvernement du Québec, de telles baisses de revenus devraient être compensées, on peut pas faire autrement, soit par de nouvelles hausses de taxes, alors que les contribuables québécois sont déjà ceux qui fournissent l'effort fiscal le plus élevé au Canada ou encore -- et ça peut être l'un, l'autre, etc. -- ou encore par de nouvelles coupures dans les services de santé, d'éducation ou d'autres services assumés par l'Etat québécois alors que déjà nous sommes engagés dans des programmes de compression qui sont cruels en fait. Ou encore par une augmentation du déficit, ce qui n'est plus acceptable et qui, de toute façon, si on tient compte des leviers dont disposent les

divers gouvernements est sacrement moins acceptable pour un gouvernement provincial comme le Québec que ça peut l'être pour le fédéral.

Dans ce contexte, le gouvernement du Québec croit que la position actuelle du gouvernement fédéral est à la fois totalement injuste et totalement illogique.

Et c'est pour cette raison que le Québec entend profiter de la présente conférence, excusez-moi, de la présente consultation, pour discuter des principes qui devraient présider au renouvellement des accords fiscaux. Ça fait trois fois, sinon quatre, que les ministres des finances se réunissent sans que ça donne de résultats sauf des grenailles par çï par là.

Il y a quand même une approche là -- pour reprendre l'anglicisme -- qui est à la fois injuste, illogique et qui, à notre avis, doit être corrigée d'urgence.

Voilà pour nous le second sujet absolument prioritaire pour nos discussions des prochains jours. Très brièvement je voudrais en invoquer le troisième en terminant: il s'agit des mesures qui s'imposent pour favoriser le développement économique.

Nous sommes tout à fait prêt à en parler, nous énoncerons des vues très précises là-dessus, des projets aussi, encore que nous croyons fermement que de telles mesures, de tels projets, n'ont aucune chance d'arriver à leurs fins, si les deux conditions de base que je viens d'évoquer ne sont pas d'abord remplies, c'est-à-dire premièrement: une baisse

immédiate, raisonnable mais immédiate, sur laquelle les gens puissent compter des taux d'intérêt. Et deuxièmement, l'abandon des réductions envisagées dans le paiement des transferts aux provinces.

En '78, à la dernière conférence, la première puis la dernière dans mes souvenirs qu'on a eue sur l'économie, le gouvernement du Québec avait rappelé un certain nombre de principes fondamentaux concernant la cohérence qui doit guider les deux ordres de gouvernement en matière de développement économique. Ces principes qui sont le respect des compétences de chaque gouvernement, le respect des spécificités, et dieu sait s'il y en a des différences régionales, et principalement le respect et l'appui aux priorités des provinces. Ces principes ne s'inspirent pas d'une vue théorique des choses. Ils découlent du simple fait qui est reconnu de plus en plus par tous ceux qui vivent dans la réalité vécue, que les gouvernements provinciaux sont mieux placés, si on leur en laisse les moyens, pour intervenir au niveau du développement économique. Et c'est singulièrement vrai pour le Québec, le Québec français surtout, c'est-à-dire 80% majoritaire du Québec pour lequel le marché pan-canadien du travail est largement illusoire. Et pour ceux qui en douteraient, on pourrait évoquer certaines expériences qu'ont vécues certains des nôtres venus du Québec dans des coins comme Calgary récemment.

Il y a deux économistes de l'Université de Montréal, monsieur Robert Lacroix et Yves Rabeau, qui viennent d'ailleurs de publier un ouvrage très intéressant, et ce sont deux spécialistes sérieux, un ouvrage intitulé: Politique nationale et conjoncture

régionale, dans lequel ils dénoncent l'uniformité des politiques fédérales et leur incapacité à répondre aux besoins des différentes régions. Selon ces spécialistes reconnus, le gouvernement fédéral peut redistribuer des revenus, ah! ça, il y a pas de problème, mais il est plutôt incapable de redistribuer le développement économique par exemple. Au contraire, les politiques fédérales conçues à partir de statistiques d'ensemble qui masquent les disparités régionales avantagent souvent les régions les plus riches. Ça me fait penser à l'histoire du statisticien qui s'est jeté joyeusement dans un ruisseau pour le traverser à pied, parce que la moyenne de profondeur de ce ruisseau était de trois pieds. Seulement la moyenne, elle avait le malheur de cacher des trous de dix pieds, ce qui fait qu'on n'a jamais retrouvé le statisticien.

Et c'est un peu ça qui est le danger de cette espèce d'uniformisation et de l'approche centralisée, d'autant plus que l'expérience très concrète et je parle au nom du Québec, nous démontre, et on juge l'arbre à ses fruits, que le gouvernement fédéral est incapable d'assurer l'équité de ses politiques sur une base régionale, quelque soit les mécanismes qu'on multiplie pour faire semblant. Prenons l'exemple extrêmement stratégique de la recherche R&D — comme on dit en anglais — la recherche scientifique et technique. En '78 et '79 la dernière année pour laquelle les statistiques sont disponibles avec 26,3% de la population du Canada, le Québec touchait 16% des dépenses fédérales contre -- c'est pas de l'envie là -- mais c'est simplement un constat de faits, contre 52,6%

en Ontario et 31,2% dans le reste du Canada. Avec une moyenne de soixante dollars à l'échelle du Canada c'était moins de quarante dollars je crois, pour le Québec -- si j'ai bonne mémoire -- en tout cas c'était loin du compte.

Dans le même sens, en 1981 l'année qui vient de se terminer, le Québec a bénéficié de 16,9% de l'ensemble des investissements fédéraux contre 30,6% en Ontario.

Alors, tout ça signifie que si vraiment on doit s'occuper des priorités de développement, c'est le gouvernement qui est sur le terrain qui est le plus proche des citoyens. C'est bien beau de dire que le Québec c'est une des dix régions, parce que dans le jargon actuel chaque province est une région; mais cette région du Québec, comme les autres d'ailleurs mais c'est singulièrement vrai au Québec, elle est sous-divisée en régions complémentaires dont il faut s'occuper et qu'il faut connaître aussi. Tout ce que je dis ne signifie pas que le gouvernement fédéral doit être inactif au plan du développement économique, mais ça veut dire que son action doit viser à épauler les gouvernements des provinces, qui se trouvent mieux placés pour répondre de façon directe, de façon immédiate, aux besoins d'une région. Et aussi cette action fédérale doit porter sur la régionalisation de ses propres politiques. Sur ce dernier point, sans insister, je dois dire qu'on n'a pas du tout l'impression que les réformes de structures des ministères fédéraux, qui ont été annoncées récemment s'inscrivent dans cette optique, j'ai plutôt le sentiment, et c'est ce qui se répand de plus en plus, que c'est exactement le contraire.

En somme, ce que nous disons au gouvernement fédéral, au cours de la présente conférence au nom du Québec, c'est que notre gouvernement entend assumer la responsabilité du développement économique sur son territoire. Qu'il a des idées précises et des propositions concrètes à avancer et qu'il souhaite pour ce faire que le gouvernement qui a le plus de ressources financières qui est celui d'Ottawa l'assure, non pas en paroles, mais que ce soit vrai, parce que des paroles il y en a eu, mais la pratique courante -- et encore ces jours derniers et encore les semaines qui passent -- nous démontre hélas le contraire, qu'on nous assure, mais concrètement, de son concours et de sa collaboration plutôt que de s'engager lui-même dans des actions de son cru, dont on sait qu'elles ont peu de chance de réussir, surtout si l'on songe aux problèmes qui s'accumulent dans les domaines où c'est lui seul le fédéral qui a déjà toute la responsabilité.

Tout ce que j'ai à ajouter, c'est qu'à cause du fait que nous croyons que tout le monde partout au Canada, singulièrement au Québec, est intéressé de façon vitale au sujet dont nous discuterons ici que nous avons demandé avec insistance que la plus grande partie de nos délibérations soient publiques. Le gouvernement fédéral a préféré que nous discussions surtout derrière des portes fermées. Pourvu que ce ne soit pas pour camoufler de l'inaction ou simplement la persistance d'idées fixes dont les résultats sont catastrophiques, bien nous l'acceptons puisqu'on nous l'impose. Mais je dois dire que si on sort d'ici et que ça confirme que cette consultation a été convoquée seulement pour donner l'illusion qu'on a bougé alors que le poids de la crise pèse aussi

lourdement sur nos concitoyens, leur jugement sera impitoyable, s'ils devaient constater qu'on s'est réunis ici pour rien. C'est pour ça que malgré tout le scepticisme qu'on comprendra que nous inspire l'expérience passée, nous allons pendant une journée, deux jours, deux jours et demi faire tout en notre pouvoir nous aussi pour faire déboucher le débat sur des solutions concrètes et immédiates aussi.

THE CHAIRMAN: The Premier
of Nova Scotia has the floor.

HON. JOHN M. BUCHANAN: Thank you,
Mr. Prime Minister. My comments this morning will not
be lengthy. Like yourself, sir, and the Premier of
Ontario, I do not believe that in two or maybe three
days that we will be able to solve the economic woes
of our country, but I do believe that we should be
able to arrive at a consensus which at least will help.
We did achieve that consensus last year around this
table so we do know that it is quite possible for a
majority of the governments of this country to agree on
what is best for the country and its citizens of our
country.

Mr. Prime Minister, we have been told
by the federal government that inflation is the number
one problem in this country. We have been told that
the solution lies with the tight money policy and
high interest rates. In effect, we have been told that
over a million unemployed is the price we must pay to
conquer inflation.

Mr. Prime Minister, Nova Scotia does not
agree. We believe that we need to get this country
rolling again. We should not focus only on inflation,
but also on production. We need more investment from
all sources, both within Canada and outside of Canada.
We need more jobs. We need more goods and services,
and we need lower interest rates.

Federal policies, especially FIRA and
the National Energy Program have discouraged outside
investment. If we had those investments, we could afford
to lower interest rates. We could put people to work
without lowering the value of our dollar. Nova Scotia

does not feel it is too late to choose prosperity over recession.

According to Statistics Canada we are in recession once again. This is supposed to reduce consumer demands so inflation can fall off, but has it, and will it. We are locked into many prices and price increases. The reality of the situation is as follows: the federal Minister of Finance has claimed that interest and mortgage rates are set in the United States for the most part. The price of energy is set by federal authority. The prices of many commodities are set by boards throughout this country. Twenty-five per cent of our consumer goods are imported, with foreign inflation included in the price. We do not have a normal economy where taking the steam out of our spending will result in price stabilization or even a decline in the inflation rate.

We have an economy where much, if not most, inflation is built in by the federal government or foreign decisions.

If consumer demand drops as a result of present federal policies will the price of fuel oil be reduced? Will gasoline prices go down? Will the price of eggs drop? Will mortgage interest go down? I suggest to you they will not.

There are those who might suggest that it requires superb mismanagement of the economy to have the highest inflation rate in 33 years occur almost simultaneously with the deepest recession in a generation.

Prime Minister, you have said, "There are simply no alternative policies. To stimulate the economy at this time will invariably lead to worsened prospects for inflation". On the contrary, we believe that more positive economic policies will not lead to higher inflation, but a more buoyant economy. If we are to

pull Canada out of its present difficulty, we must recognize that our economy is in need of restructuring. We must encourage domestic and foreign investment. We must shorten the approval time required before projects can proceed. We must ensure that Canadians and Canadian goods are employed in these projects. We must have a stable and reasonable export policy.

Canada appears to have a manufacturing sector which is faced with serious long-term problems. As part of the recovery program we must identify those areas of our manufacturing sector most likely to be affected by world competition and attempt to restructure them, either to improve competitiveness or to help redirect the firms into new areas of opportunity.

Mr. Prime Minister, you have indicated that provinces should do something to assist in the recovery program, to assist the economic problems of our country. Well, we can just do so much. In Nova Scotia we have taken new initiatives. We have developed a Small Business Development Agency to assist small businessmen at a time of high interest rates. We injected new money into a home building program, into a mortgage program. We have also stimulated the fishing industry and agriculture. We also have opened a new Industrial Benefits Office to promote Nova Scotia and Atlantic provinces' goods, so we have taken those initiatives. I also have met with the business people of Nova Scotia, and like the Premier of Ontario, I have met with the Federation of Labour, fishermen, farmers, and all agree, Mr. Prime Minister, on the following points.

First, high interest rates and economic recession have done nothing to improve the lot of Canadians. High interest rates have not curbed inflation. In fact, inflation is still double-digit and increasing interest rates must be reduced to stimulate the economy to encourage new home construction to help small businessmen.

We must lay emphasis on productivity, prosperity and jobs. We must encourage investment from

Canadians and from abroad so that we can build the facilities to generate the production which will lead to price stability and new employment.

Mr. Prime Minister, there should be no reduction in federal contributions to health and education programs.

Now, we can all talk about the economy, but we must always remember that we are really talking about people; young, old, middle-aged people, all of whom have their ambitions and their hopes in this country. High interest rates, repressive inflation and lack of job opportunity stifle people in all walks of life. They cause each and every Canadian to suffer in one way or another. Each level of government can help.

The federal government has its area of responsibility as do the provinces, but we can only help in a significant way if we work together in a genuine spirit of co-operation with each of us clearly recognizing that by approaching the matter seriously and with great concern we can indeed create the kind of Canada that Canadians want and deserve.

I believe that working together in the way that we can, as governments in this country, co-operate together, Mr. Prime Minister, and fellow First Ministers, that we can do a lot to assist Canadians and to help in their present economic woes.

THE CHAIRMAN: Premier Hatfield, you have the floor.

HON. RICHARD HATFIELD: Merci, M. le President.

I am here today in the interest of Canadians living in New Brunswick to offer to work and co-operate with the government of Canada which has the

constitutional as well as the real power to deal effectively with the national economy as well as our provincial economy.

I am not here to debate the blame. I believe the people of Canada expect us to act in their interest to resolve some of the problems and to commit ourselves to work in the future, as Premiers and as Prime Minister, work together to improve the economy of this country. I believe the buck stops here with the First Ministers' Conference. We have been put in our current financial difficulties, in my opinion, by the pursuit of an unbending monetary policy, maintenance of a consistent high rate of interest and a consequent lack of confidence in the government and in the economy.

High interest rates have had a major negative effect on new economic investment in New Brunswick; more seriously, high interest rates have discouraged the construction in the home building industry. But what I think is even more serious is the real fear that exists among Canadians that interest rates will continue to go higher, and as a result, they are not contributing to the economy but rather saving their money to be ready for higher and higher interest rates.

The situation is worsened, in my opinion, by your stated intention today to significantly restrain the growth in transfer payments to the provinces which will have the result of either cutting back on health and education services, or forcing the provinces, our province, to borrow or to tax more, thus increasing the burden on many people who can ill afford it and deny services to people who need it, and it will drive the provincial government to place less priority on economic development because we will not have the financial capacity to do it.

I must say, Mr. Prime Minister, that you

stated that there has not been a shifting of deficit from the federal government to the provincial government. You have stated that there has not been cut-backs or massive cut-backs in transfer payments. Statistically, that may be provable but the fact of the matter is that our deficit and our need to borrow in New Brunswick is going to increase significantly and substantially.

Secondly, there is going to be cutbacks in the quality of services that are available and needed by the people living in New Brunswick. I noted that Dr. Léon Richard said yesterday that the reductions in transfer payments or the reductions in the growth of transfer payments will result in the quality and, probably, in the availability of services being reduced as well. I can tell you I know he knows what he is talking about as President of the Canadian Medical Association. He also knows what he is talking about because our government has had discussions with him with regard to the hospital out of which he works.

I think that what you must understand here is that the effect of reducing the growth in transfer payments means that a province like New Brunswick, which having been looked at by independent and outside sources such as the Parliamentary Committee headed by the Member of Parliament from Gloucester, New Brunswick, such as one or two other commissions and independent agencies that having looked at the situation have stated emphatically that we need more assistance in the Maritime provinces, in the Atlantic provinces and the response of your government has been to reduce that assistance rather than to take the advice of increasing it.

I suggest, Mr. Prime Minister, that the scale, the depth of the restraint of the growth in transfer payments and the timing of this restraint is far too drastic. We should not cut our standards below tolerable levels. Cuts of the magnitudes that will be required as a result of your financial policy will not in fact help the economy in New Brunswick. But, as I pointed out, it will cut back our ability as a government to assist those industries, those sectors of the economy that are going to need financial assistance over the next few years; because of high interest rates, because of the monetary and fiscal policies of the federal

government, because of high energy costs.

I was also surprised to hear you say today that you slowly came to the conclusion that DREE was not working, and you went on to say that you have come to the conclusion that really cooperative economic development could not take place when the federal government simply transferred money to provincial governments and said, "Good luck to you." The federal government, you said, has responsibilities in regional economic development and we plan to meet those responsibilities and be held accountable for them by dealing more directly with the problems and opportunities of Canada.

Mr. Prime Minister, I want to outline and I am sure refresh your memory that between now and 1985 there is going to be very significant investment in the province of New Brunswick. In the pulp and paper -- modernization of the pulp and paper industry, there will be invested \$792 million. In the mining industry, including the announced zinc smelter there will be an investment of \$800 million. In industrial infrastructure, port development and the natural gas pipeline will be \$1,062,000,000. In real estate development \$107 million. In manufacturing and processing, including Mitel and Starkist \$109 million for a total of over \$3 billion of investment. Mr. Prime Minister, that, to me, is pretty substantial and significant evidence that the provincial government working with the federal government through DREE -- and I must say there has been more progress since our minister from New Brunswick in the federal Cabinet has become more closely involved--there have been more rapid agreements reached and I think more significant agreements reached. By working together that is what we have accomplished. It means to New Brunswick, first of all, thousands and thousands of jobs in the construction industry which is

seriously depressed, and it means thousands of jobs -- also it means the maintenance of thousands more jobs -- particularly in the pulp and paper industry. Now despite this record of real achievement the federal government now talks, and we have seen evidence of it in New Brunswick, of abandoning cooperation. I don't think that a more serious mistake could be made in dealing with our economy at this particular time. It seems to me we have demonstrated that we can work with the federal government and I can assure you, as I assured the Ministers who called on me last week from your government, that we will work with the new structure. But, Mr. Prime Minister, it will only work, any structure will only work if we cooperate and work together. I, therefore, want to put a great deal of emphasis on that. The other point I want to make is that the result of the effect of the restraint in growth of transfer payments and the significance of that restraint. The massiveness of that restraint is going to hit very, very hard two important segments of our society in New Brunswick, and I refer to the young people, who are getting an education, who are going to, in more and more numbers, get a better education, a higher education and yet they are going to be forced, when they have completed their education, to sit home idle because there will not be sufficient jobs due to the current economic situation.

The second sector of our society which, I think, is going to be affected, and one that I think probably Dr. Richard is concerned about, are the senior citizens in our province, who are increasing in number, who require more and more expensive and more extensive health care, and who require more extensive assistance with living and the conditions under which they live, whether it be in a nursing home or in their own home. I think that these factors should motivate us here

today and the rest of this conference to do everything we can to work together to find ways of reaching an agreement on the course of action that should be followed and to improve the extent of cooperation between the provinces and the federal government. I think we should learn from what I believe to be the success of the strategy that was finally followed in resolving our constitutional problem. For a long time we discussed this issue at the ministerial level, we discussed it at the officials' level and we seemed to get further and further apart. It was not until we, as First Ministers, grappled with the problem -- that I think demands the attention of First Ministers and felt that way all the way through the discussion -- that we came to a conclusion that most of us said was a very good one and which most of us agreed would work towards making this a stronger country. I think we should learn from that because I think the national economy is an issue that belongs with the First Ministers and I think it does require our attention, the attention of the Premiers, the attention of the Prime Minister and it does require our working together; so I would like to advocate, at the outset, that we make a commitment here this week to meet at least two more times as First Ministers to deal with the question of the economy. I would like to see another conference following this one before the beginning of summer in June. I would like to see the involvement directly of management and labour in that conference to see what can be done, what effect has the budget regardless of what amendments you may make between now and then. What effect it is in fact having and we must be involved, because there are in my opinion disturbing signs that there is more and more tendency, because of the frustration of governments, there is more and more tendency to resort to controls, controls of wages and

controls of foreign exchange. I want to say, Mr. Prime Minister, that having had some experience with controlling wages and controlling expenses that we cannot support that. We cannot support it in the province of New Brunswick.

I think that we should, however, if we could get -- and I think we can get because I think the same concern is being shown by responsible people in the labour movement and responsible people in the business sector--if we could work together, we could find better solutions; and then I would like to see us meet again, in the fall, at a time when the provincial governments as well as the federal government, I assume, certainly the provincial governments, are preparing their budgets for 1983-84 so that we will have some idea of what our requirements are and we will have a greater opportunity to start to plan, if it is necessary, to plan for bringing our deficits, the deficits of the federal government and the deficit of the provinces, under some control. So, I would like to see us, first of all, make a commitment to meet again and again. I would like to see us make a commitment that this is our responsibility. As I said, the buck stops with us. I would like to assure you that the government of New Brunswick and I, as the leader of the government of New Brunswick, will do everything possible to cooperate, to make -- to realize the incredible potential that this country has for economic development. Thank you, Mr. Prime Minister.

THE CHAIRMAN: And now the Premier of Manitoba, Premier Pawley.

HON. HOWARD PAWLEY: Mr. Prime Minister, first, I would like to comment that when the Premier of Ontario made some comment in respect to our political differences, I can only suggest that the Brampton high school must have improved considerably between the time he was there and the time I was there.

Mr. Chairman, I welcome this opportunity -- Mr. Chairman, I welcome the opportunity to participate in this renewal of federal-provincial economic consultations and to offer Manitoba's full commitment up front to do all that we can in order to make this process a successful one.

If we are all committed to making economic renewal our government's top priority, and I believe we are, then this conference has to be the start of a systematic process of consultation, of joint policy development and co-ordination.

It is precisely in difficult circumstances like we face today when changes in policy direction are clearly required that federal-provincial consultation and follow-up action must be effective. Canada has a mixed economy and governments, especially the federal government, play a significant leadership role in the process of economic renewal.

Mr. Chairman, Manitoba's concerns and suggestions reflect our wish to see the government of Canada fulfill its economic policy leadership responsibilities and our strong desire to co-operate in ensuring that that leadership is effective. We reject the adversarial approach to federal-provincial relations which appears at times to have blocked significant economic consideration in past years.

Our government is not interested in guarding a long list of jurisdictional prerogatives. We believe that Canadians are much more interested in effective economic programs than in which level of government has delivered those programs. Our immediate problems are obvious. The economy has finally given way in the face of protracted periods of high interest rates and the result is a national recession. Virtually all of the real growth achieved between late 1980 and mid-1981 have been offset by at least five months of decline.

More than a million men and women are out of work and there are threats of further layoffs and plant closings. High interest rates have continued and they may indeed increase again. This contributes to inflation which remains a major concern. We have seen fairly bleak forecasts that are disturbing because of the opportunities for Canada to realize major expansion in the coming decade and beyond. Such expansion could let us start to meet some of those important challenges of the 1980s and these include an unfair distribution of income, inadequate income for elderly citizens, for single parents, for others, deterioration of essential public services such as health care and post-secondary education, severe problems in housing and continuing economic disparities among the regions of Canada.

One of the first steps is to establish a set of principles or objectives for fiscal and economic policy. Some of the guidelines set out in November 1978, particularly those relating to fiscal policies, were quite arbitrary. I believe it is time to re-assess them in light of the present conditions.

Our government would suggest the goals of full employment, more stable prices, stronger and more

balanced development in all regions and a fair sharing of the resulting income and jobs among regions and among individuals across the country.

Everywhere it has been tried, in the United States, in the United Kingdom and here in Canada, the so-called neo-conservative experiment has failed and its underlying philosophy has been discredited, but at immeasurable costs in aggregate and in individual terms; and as usual it is those who are least able to defend themselves who have been hurt the most. This is particularly true of the impact of current monetary policy. Everyone of us around this table has seen its devastating effect on home-owners and farmers, on small business people. In a province such as ours where small business is so important, the impact has been compounded. In the last two years we have had the worst increase in business bankruptcies of any province in Canada.

Throughout Manitoba my colleagues and I have heard the same message from businesses, from farmers, from working men and women: interest rates must come down. I know that feeling is not unique to our province, or to Canada. I urge that Canada join the other western governments which are attempting to persuade the United States to modify its extreme economic and monetary policies. The hardship caused by high interest rates is so severe that our government will soon be announcing the details of a special program of interest rate relief. This is more than a little ironic, when the federal government is cutting back on its transfer payments to provinces with limited resources, such as Manitoba.

The responsibility for monetary policy

and for interest rates remains with the government of Canada. Manitoba can only help those who have been hurt the most by the interest rate.

How much better it would have been for the government of Canada to use its powers and its resources to meet this problem head-on for all Canadians.

Incidentally, I could make the same point with reference to another national program-- problem, and that is the crisis in the livestock industry. Provincial governments have been forced to act in the absence of a federal program.

The solution to high interest rates has to be a reduction in the rates themselves through a coherent strategy appropriate to Canadian realities. If that means some downward movement in the exchange value of the Canadian dollar in the short-run, then we should be prepared to see -- to see that happen. We would also be prepared to see Canadian investments outside this country by large corporations subject to review to ensure that they will benefit the Canadian economy. Manitoba would gladly support such Canadian initiatives to address these disruptive high interest rates.

Mr. Chairman, we will be soon enshrining in our constitution, a commitment to equalization which states "Parliament and the government of Canada are committed to the principle of making equalization payments to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation".

It seems inconceivable that the federal government is also moving to set aside, without adequate understanding of the consequences, the very formula which has given effect to that principle for the last 15 years.

The constitution also commits the government to "pursuing equal opportunities for the well-being of Canadians and furthering economic development to reduce disparities of opportunities". But there can be little doubt the federal proposals would worsen the imbalance among provinces and regions and make it even harder for less wealthy provinces to proceed with needed development initiatives.

The cuts are not only far larger than the federal budget claimed, but also quite uneven and unfair in their impact across the country. Our estimates, which have been public for nearly two months now and have not been challenged up to now, reveal that the total savings to the federal government as a result of the cut-backs will be around \$11.1 billion, rather than the \$5.7 billion total used in the budget and that the net impact in the provinces will be \$9.2 billion, close to five times greater than the budget estimate of \$1.9 billion. Our estimates also show that by far the greater share of the cuts will be borne by the so-called 'have-not' provinces -- those receiving equalization -- and that, of these, Manitoba will be the hardest hit.

Close to two-thirds of the proposed cuts over the next five years would come from the budgets of the less well-off provinces -- provinces which, in total, account for barely 40 per cent of the national population and well under 40 per cent of Canada's output.

For a family of four, the cuts would amount to about \$1500 on average over the five-year period, but the distribution would vary widely. The average would be under \$750 per family in the 'have' provinces but over \$2400 in the 'have-nots' and in Manitoba, the total would be about \$3600 -- the largest, by far, for any province.

There is no doubt that the cuts will result in damage to programs or larger provincial deficits or larger provincial taxes, or a combination of the three. I am pleased to table the figures here so that they will be available to all First Ministers. I for one, cannot believe that this was the result that the federal government intended when it decided to propose modifications to the transfer payment program. I would welcome the assurance here that it was not ... and more important, the assurance that it will not be in the final outcome.

At this stage, we face a disturbing possibility that the federal government might press ahead with these proposals unilaterally, without regard for the fact that there is near unanimous opposition among the provinces, and a clear recognition that their full implications have not been studied adequately.

While we have welcomed an offer of transitional assistance, I must emphasize that the only realistic option would be, as has been proposed earlier, to extend the current arrangement beyond the end of March until a substantial measure of provincial agreement can be reached in the alternatives. I want to emphasize that Manitoba supports the principle of strengthening and clarifying program conditions, plus adequate recognition for federal contributions.

We in Manitoba are prepared to meet our obligations in these important program areas and if a return to cost-sharing is required to ensure the government of Canada meets its obligation, that is an alternative that deserves careful consideration.

Turning to our major topic for discussion tomorrow, economic development, I want to reaffirm that we are particularly pleased by your recent statement that the economic development policy-making process will be made more sensitive to regional circumstances. As a western province, we share many of the broad concerns which are common to our region, concerns about transportation, about natural resource development, about a more balanced and diversified industrial base and about the related fundamental questions of human resources and capital requirements.

But, we are also significantly different from the other western provinces in terms of our economic base and our recent growth experience.

As you know, Mr. Chairman, we in Manitoba are working on several major initiatives which, to have maximum impact, will require supportive federal action.

These include:

- further expansion of our northern hydro-electricity generating capacity;

I note that Premier Davis has included the western power grid or inter-tie as a major project within the national economy and I am pleased at that comment:

- general northern economic development, with special emphasis on improved opportunities for our native peoples.
- revitalization of our forest industry and natural resource developments, and
- a variety of promising industrial opportunities, particularly in high-tech fields.

We are also looking forward to next month's Grain Summit 1982, which is to be hosted by my colleague, the Premier of Saskatchewan. Perhaps that summit, Mr. Prime Minister, can meet your desire for western transportation issues to be addressed. We have asked that

time be set aside at this conference for consideration of measures to strengthen the role of the Port of Churchill. An effective federal-provincial strategy to develop key sectors of the economy is essential if we are to meet the public sector's responsibility for economic leadership.

Mr. Chairman, at this conference it may not be possible for us to go much beyond establishing a set of principles or work plans to identify and to evaluate options for dealing with the key issues. Such steps could well represent important progress toward formulation of a coordinated, national economic development strategy. We are all in agreement that the economy must be the number one priority. For that reason there should be no question that First Ministers will meet again on this subject within a year.

Mr. Chairman, it is obvious that we will not agree and could not be expected to agree on every major national priority, much less on policies and programs they dictate.

I know that our views appear to differ -- for now, at least -- on the need for stimulus in the economy to create jobs, on the need to reduce interest rates, and on the need to ensure that provincial governments, especially in the less wealthy provinces, have adequate resources to pursue essential development priorities.

But, constructive debate on the economic problems facing this country, and working together on solutions, don't always require agreement on philosophy. What they do require is a positive attitude of cooperation and reasonable accommodation, on both sides.

I can assure you, Mr. Chairman, that is the spirit in which our new government enters these discussions.

Thank you.

THE CHAIRMAN: I call on Premier Bennett of British Columbia.

HON. WILLIAM BENNETT: Prime Minister, Premiers, before I start, let me take the opportunity to welcome our two new colleagues, one from the West and one from the Atlantic, Premier Pawley and Premier Lee and say I look forward to working with you at conferences such as this and look forward to the value of the wisdom that you can impart to help all of us in our deliberations.

I might say, Prime Minister, the sole objective of British Columbia or the major objective is to come to this meeting to get our economy moving again. Since we last met in 1978, economic conditions have changed substantially. That presents us with both challenges and opportunities.

The second round of OPEC oil price increases and the upheaval in Iran once again demonstrated our vulnerability to disruptions in supply. At the same time, the international adjustment to higher energy prices and world-wide industrial restructuring are presenting major opportunities for our country for which Canada has desired resources and products to offer the world. A balance then, I might say, Mr. Prime Minister; I am optimistic about our economic prospects for the future and I am confident that our people possess the skills, the energy and creativity to reap the generous rewards from our natural advantages here in Canada. And yet, with all of those advantages, still today our people are hurting and they are hurting from high interest rates and double-digit inflation which in part have led to record high levels of unemployment. I might say our people are frustrated. They are frustrated by the absence of -- what they perceive to be a lack of national leadership, by the magnitude of the challenge we face and by the apparent absence of solutions. And the danger is that this frustration will lead to a loss of hope and that cynicism will overwhelm our national confidence

and our national will.

Now I have not come to Ottawa to recite well-known problems or to point fingers at those who must bear some responsibility for our current difficulties. In fact, you might be pleased to hear, surprised to hear, Prime Minister, that I am not really going to comment on the recent federal budget, at least, in the public sessions. One need not be a fan of federal economic policies to acknowledge that many forces, in particular the U.S. economy, lie beyond our control; and one need not be considered anti-federal government to observe that Ottawa has been less than successful in managing the economy, and that it has often appeared to care little about the day-to-day concerns of most Canadians. The truth though is that all governments, all governments including our own over the last decade, have contributed to some degree to the problems we face today, problems that are demonstrated by a brief paper prepared by my Minister of Finance that I will be distributing. And the reality is that all governments must be part of the solution.

Prime Minister, the answers are not simple ones however we might wish they were. I tell you it would be less than honest to tell our people that there are magical and painless and sugar-coated ways out of our current difficulties. The truth of our economic dilemma is that while the policies of the federal government and particularly high interest rates clearly are not working at least in the short term, the federal government is caught by its past economic policies and today, has very little room to manoeuvre. The truth of our situation is that we are today reaping the consequences of having lived so long beyond our means. To some, the issue is whether unemployment or inflation is the number one problem, but in reality both are serious and the real issue is whether we are to have sustained growth

or stagnation or, if we don't act, something far worse. The truth of our position in the world today is that massive foreign borrowings that were a key element in undertaking investments to develop our vast country and are paid for at no cost to the taxpayer by return on these investments were less legitimately incurred to finance large and growing government operating deficits at great cost to the taxpayer. Today the repayment of these vast borrowings, foreign borrowings is weakening our dollar. Measures perceived to be hostile to foreign investment in particular and to investment in general have put further downward pressure on the dollar.

Our interest rates are high, not just because our inflation is high; artificially high interest rates are also being used to prop up our sagging dollar. Here we are increasing our indebtedness to pay off previous loans and are only buying time through interim financing. We run the risk of being caught in a vicious circle in which more and more interim financing will be required and at a time when money is becoming more expensive to borrow and even governments are having their credit seriously questioned. I might have an aside here that I come from the Pacific Northwest, a very similar economy to that of British Columbia is that of Washington State. Recently I had an opportunity to visit the governor and address the joint session of their senate and legislature at a time when they received additional bad news. Their economy is the same, it is forest-related, they have large unemployment, but their government in the last six to eight months has had the state credit rating drop from double A to A plus and now to a single A credit rating. The financial impact on that economy and those people in refinancing their borrowing will be substantial, but let us not think that that will only happen in the United States or other countries. That sort of reappraisal which will mean additional cost is going on in our

country as well. But now is not the time, Prime Minister, to cite problems and speak of the past.

I think now is the time to take measure of the future in all its complexity. In the words of Winston Churchill, "If we open a quarrel between the past and the present, we shall find that we have lost the future." What then is to be done?

Well, first of all we must recognize that sustained and stable growth is not only our number one economic priority, but that if we are going to finance a large range of social services to our people, services to which they have become accustomed, then economic growth must be our highest social priority.

Economic growth and employment and the developing economy are the only guarantee our people can have of the continuation or development of these services in the future. So economic growth is not competitive with social policy; it is the only policy that can guarantee continuing sound social policy. And as former President Kennedy said, when relating the economy and its development and growth to social services, he said 'a rising tide lifts all boats' and so it would be that a rising economic tide would lift everybody's fortunes in this country and so that should be our number one priority at this conference.

To achieve economic growth, we must devote to economic development the energy and determination that we have sometimes dissipated on less urgent priorities.

Second, we must look upon this conference as a beginning and must at once put an end to needless federal-provincial wrangling and get on with the job of building our country by way of a true partnership and develop positive solutions to the practical concerns of our people and that is all Canadians.

Let us agree as governments that rather than fighting with each other, Mr. Prime Minister, we will use our considerable energies to take on our competitors in the tough but comparable international marketplace; and saying that, I think it would be then debilitating for us to spend this conference wrangling over fiscal arrangements.

We all know that the fiscal arrangements were developed to provide some national standards in services and that they developed through co-operation between the federal and provincial government. If there is to be a curtailment of public services, they must be negotiated in a proper basis, so when it comes to

fiscal arrangements, Prime Minister, I might say don't pass the buck, just transfer it.

Thirdly, we must recognize that interest rates alone will not bring down inflation, certainly not at the price we are prepared to pay in the form of lost homes, businesses and jobs. Your own Governor of the Bank of Canada, Prime Minister, has stated that federal expenditures must be curtailed if interest rates are to have an appreciable effect on inflation. And I am pleased, Prime Minister, that you have said that Governor Bouey will be available for advice and consultation to this conference because on behalf of the people of British Columbia, I have some very important questions to pose to him about ways in which we can meet the objective of lowering those interest rates as it relates to other economic activities that may be suggested at this conference.

Now, fourthly, we should recognize that excessively high interest rates are, in themselves, inflationary. Our monetary policy can and must be pursued more flexibly particularly at a time when declining inflation in the U.S. reduces the risk of importing inflation from that country. We should begin at once, responsibly, to bring down interest rates in successive increments, a planned successive reduction in interest rates.

Fifthly, we must acknowledge that the burden of high interest rates falls especially hard on certain sectors of society and government must be prepared to offer selective relief to those who, through no fault of their own, are hurt by its general economic policies.

Sixthly, we must commit ourselves to controlling government spending at all levels, to the reduction and eventual elimination of borrowing to finance operating deficits as is established practice in British Columbia.

Deficits raise the operating costs of government through unproductive interest payments and lead to still further deficits and higher taxes in the future.

Borrowing to finance operating deficits spurs inflation, crowds the private sector and raises interest rates and despite our commitments around this table in 1978, government indebtedness to finance operating expenditures has increased and has contributed significantly to the high interest rates and the higher taxes we face today in this country.

In the battle against inflation and in the quest for job-creating economic growth, we must seek the full commitment of our people and can only ask for sacrifices that we, as governments, are also prepared to make.

Seventh, we must strengthen our dollar. We can reduce interest rates and enhance economic growth by encouraging our people to save and invest. Canadianization, Prime Minister, should be fostered by giving Canadians an ownership stake in their country as individuals and not by nationalization.

I would like to say that I have some appreciation for your problem. I have heard some Premiers suggest, Prime Minister, as I would suggest that we do need to, at the same time, deal with unemployment and need the funds, affordable money, to carry out development in key sectors. I think that Premier Davis mentioned he would be looking to the federal government for funds in this area. I cannot, in all conscience, ask the federal government that has a deficit of its own, to provide those types of funds out of current account which will merely compound the interest. And yet let us look at

what might be a better suggestion for targetting, in a federal-provincial way, funds to key economic areas that are the priorities of provincial governments.

Let me suggest, Prime Minister, that if we are looking for affordable money now, that because it is not available because of the interest rate policy of the Bank of Canada, that we have at hand, the way to attract a large pool of affordable money by issuing federal-provincial Canadian development bonds. You could do outside the current account of budgets by agreement between federal and provincial governments that we would offer these bonds at a coupon rate that would be low because we would make them tax exempt such as municipal bonds in the U.S. That means the federal and provincial governments, for a three or four-year period, would not tax the interest rate on those bonds so you could probably issue them at levels, and I would want the Governor of the Bank of Canada's advice on this, at levels below 10 per cent. They would not be used for grants but would be issued jointly by the federal and provincial governments in each province.

They could then be lent out so that they are recoverable at affordable rates to encourage specific economic targets, that are identified as both provincial and national goals and this would not incur a larger deficit for the federal government. It would not impose large expenditures that they could not finance now. It would really be Canadians foregoing at a federal-provincial level, revenue that would be earned in future years to get affordable money now and that would be the most responsible way to get that money, knowing that there is a cost to revenues in future years. But if we are convinced that the policies we pursue will lower the interest

rates by 1984, or 1985, then we can afford to carry out this program for three or four years, knowing that the rate will be down to the issuing rate now and will have no problem rolling over that financing into private affordable rates at the time of maturity.

So I would suggest that in the area of federal-provincial co-operation, this would allow participation by both governments. It would allow us to take strong action now without bloating already --- deficit -- over very extensive budgets that might be curtailed on the federal and provincial level.

Beyond that, Prime Minister, I would say that we must abandon measures that are hostile to foreign and domestic investment. It is far preferable to attract capital by fostering a hospitable attitude than by maintaining punitive interest rates and hostile attitudes.

Ninth, we must earn our way in the world. The competitiveness of our export sector must be maintained and improved and we must actively seek out export markets. This will provide -- this will require continuing initiatives to reduce trade barriers, develop our resources, alleviate shortages in skilled workers and enhance the quality of our research and development and, of course, enhance our tourism sector.

Tenth, in our industrial policies, we must build on strength and not allow temporary adjustment assistance to those in declining industries to become permanent features of a flabby economy.

Eleventh, we must accelerate development of our offshore petroleum and gas resources in an environmentally sound way and not allow jurisdictional wrangling and threats of judicial action to delay our search for energy self-sufficiency. And a major point of fundamental -- of strategic importance, Mr. Prime Minister:

we must take action now to remove bottle-necks in our western transportation system to allow us access for our products to the Pacific Rim, the fastest growing market in the world.

Canada is a country that lives by international trade and the history of this country is one of its transportation.

The essential condition of British Columbia's entry into Confederation, our Confederation bargain as it were, was the promise of a transcontinental railway system.

But today our thinking is stalled in the Crow's Nest Pass and the system is breaking down due to a shortage of capacity constraints. Too often transportation in Canada today means stopping things rather than moving them.

If Canadians have learned anything from the energy disputes of the last several years, an understanding reached much earlier by those of us who live in the west, it is that subsidized prices may appear beneficial in the short term, but are both harmful and untenable in the longer term.

We run the serious risk of rail rationing by 1984-1985, and the prospect of having Canada's railways making fundamental decisions about our economic development is not pleasant to me.

Those decisions should be made by government and should not be forced to be made by the railways of this country as to what products move from where and when.

It is time we moved to a comprehensive solution of our transportation problems to the benefit of all Canadians.

In the 1950's the federal government perceived the St. Lawrence Seaway to be in the national interest and of national benefit and funded it generously. With equal vision, we should view the railway as the steel river of the west and as a continuation of that other river that runs into our industrial heartland. These are the areas, Prime Minister, British Columbia will wish to discuss in the next few days and with a sense of urgency, but not hopelessness, in a spirit of cooperation and not of confrontation.

In recent weeks, through statements and administrative reorganization, there have been signs, Prime Minister, that your government is beginning to take seriously its mandate to exercise national economic leadership. Your document "Economic Development for Canada in the 1980's" is consistent with the nine-point program for economic recovery developed by the Premiers at our conference in Victoria last August and contains a refreshing sensitivity to regional concerns.

The paper highlights areas such as transportation, manpower training and resource development that are crucial to the prosperity of our province and others. Moreover, the document contains a realistic appraisal of the need for federal-provincial cooperation.

British Columbians are eager to undertake in partnership those projects and investments that will allow us to get our country moving again. Let us get down to specifics and to coordinated development. There are bound to be differences in philosophy and approach amongst the governments here but there will be more with which we can all agree. For whatever our differences, our people are skilled and energetic. Our country is enormously rich in resources that are our common heritage

and our prospects are unequalled if we can overcome these current difficulties. So, if we achieve nothing else this week, let it be said of this conference that we restored to our people a sense of confidence and hope and to our governments a focus on leadership and a spirit of cooperation above confrontation, and we took the first steps in the shared task of Canadian economic recovery.

I think we could achieve more if only we have the will and the vision to accept temporary sacrifice in return for a secure future.

I have set out twelve points that could go a long way towards easing our current economic difficulties and securing our future prosperity. I am sure others will have additional suggestions but if we are going to go beyond three days of talk and demonstrate to Canadians a sense of leadership I think we must have this Conference as more than consultative, Prime Minister. I have mentioned a number of areas where agreement could produce results. The failure of our conferences in the past, I think of 1978, was that there was no follow-up in which to implement many of the things to which we agreed. This conference, many of the solutions will find themselves--whether it be in innovative financing, whether it be in development, whether it be in curtailing the cost of government and all that that implies -- it will be by agreement amongst governments, and I would suggest if we were to be successful here that this session must be more than one of exchanging ideas. It must be a session that works into concrete agreements which will give the people of Canada some confidence, something to believe in, to know that this country is going somewhere and if we give them a plan, no matter how difficult, and no matter that it may be temporarily difficult for governments and our people,

if they know that the program will work, I believe, Prime Minister, they will accept it if they can see that there will be results down the road. The cruelest thing is to continue on this present course with uncertainty leaving our people vulnerable to all of the problems that we face today and leaving them very little hope. Prime Minister, I look forward to the next few days. I am hopeful that we can come to agreement, not just consultation.

THE CHAIRMAN: The Premier of Prince Edward Island, Mr. James Lee, has the floor.

HON. JAMES LEE: Thank you, Mr. Chairman.

Fellow colleagues, as one of the two new Premiers, I come here hoping for the spirit of cooperation that will be necessary to effectively tackle the economic problems facing our respective jurisdictions. While I do not come to this conference pretending to have a new vision that will solve all the economic problems facing our nation, I do come with the will to commit the energies of my province to the development of a joint solution.

Our province is unique in many ways. Basically, we have a predominantly rural economy and our geographic location as an island creates some unusual situations which are experienced by only a few other areas. Our economy suffers from a lack of diversified resources to a greater extent than any other province.

Some traditionalists may wonder how we survive in these troubled economic times. My answer is not a simple economic or political proposition. The answer lies in the independence of our people, in our will to create and influence our lifestyle, in a belief in Canada as a nation able to cope with diversity and, finally, in a belief in our island that surpasses the supposed logic of most economic and social planners.

We believe that our size is only a problem

for those who are concerned in the philosophy of bigness and who develop policies accordingly. We believe that our mix of rural and urban population creates an ideal place to raise a family, and, indeed, to enjoy a special quality of life. The fact that we are an island allows us to distinguish and delineate more clearly those things of importance to us. Our isolation could also allow us to become a haven of excellence if properly developed. We recognize our resources are limited, but important, in that they are the resources necessary to sustain and nurture life.

It is for these reasons that Islanders are proud to be a province, and proud to be a part of this country, a country blessed with an abundance of resources, both human and physical, with a proud history, and, most of all, with a tradition of accommodating diversity.

I look forward to working with all the First Ministers in our efforts to develop further a nation that can live up to the expectations of Islanders, and, indeed, all Canadians.

While it is difficult to design national policies that benefit all regions of Canada equally, a good measure of flexibility has existed in the past because of the cooperative efforts on the part of both governments, and in particular, those efforts that have resulted in joint federal-provincial agreements. Recent events whereby the federal government has unilaterally decided to diminish their efforts in joint planning and cost sharing of economic development programs with our province cause us considerable concern. It has forced us to discontinue economic development programs which were of particular importance to Prince Edward Island. The federal government decision to deliver programs unilaterally not only seriously affected the spirit of cooperation, but it also left the province searching to find money to deliver programs based on

expectations created by earlier federal commitments. We are understandably nervous that this could be the pattern in future dealings between the two levels of government. I must emphasize, Mr. Prime Minister, that when the federal government is dealing with us in our province you must realize that a minor cut for you could be a hemorrhage to us.

With these thoughts as background, I would like to address other items of mutual importance to our governments. First, in the area of industrial development, I support the federal projects designed to stimulate the productive sector of our national economy. Hopefully some benefits may accrue to our province as a result of the proposed mega-projects, but I am sceptical that much exists in the strategy that will stimulate the Prince Edward Island economy directly. As a province, we are examining the opportunities, but we are not well positioned by virtue of either geography or industrial structure to take advantage of any of the federal emphasis.

We suggest that one of the most effective ways of ensuring that the benefits of economic growth are shared fairly is to ensure fair access to the prerequisites of economic development. In any modern economy two such prerequisites to growth are energy and transportation. With unfair costs in these areas we cannot hope to remain competitive in our traditional sectors, let alone expand or diversify our industrial base.

We believe that a national energy policy should ensure an equitable price for energy to all areas of Canada. Let me illustrate for a moment our plight in Prince Edward Island. The average householder in Prince Edward Island using 750 kilowatt hours now pays \$73.64 per month, while their fellow Canadians here in

the City of Ottawa for the same number of kilowatt hours are paying \$24.80. Our industries face costs approximately twice as high as their competition in our neighbouring provinces. We are now facing the threat of loss of industries because of these costs. Food and processing industries account for 60 per cent of employment in our manufacturing sector. These industries use a relatively high amount of energy, yet in most other ways they are a logical extension to our primary industries and essential to our economy. Their loss would be a disaster to us in our province.

Not only do we suffer from the disadvantage of cost, we also suffer a substantial drain on our economy as our lack of traditional energy resources force us to import a relatively higher proportion of our energy than any other province. Surely this unique crippling situation requires an imaginative and distinctive solution. It can only be a long-term program, but in the meantime, I appeal to the federal government to provide some form of relief to the major victims of the energy crisis, namely, the citizens of my province.

Transportation is an equally essential item for economic growth. We recognize that the federal government faces a major bill every year for transportation systems which do not pay their own way. We accept that as a high cost of nationhood, but we suggest that it is an investment that has paid handsome dividends in the development of this nation. Our province is willing to assess our transportation arrangements with the federal government but I prefer, Mr. Prime Minister, to do this in a climate of frank negotiations. By way of example, I would point out that we have recently been confronted with an aspect of federal transportation policy relating to the Maritime provinces which will cause the loss of a long established historical transportation subsidy. Although the other three provinces have signed, we have chosen not to at present, because of negative feedback from our primary producers. Attempts are now being made to coerce signing this by suggestions of federal losses from federal programs if we fail to sign.

I do not raise this to engage in a public 'blame game', but to enunciate a principle. My problem is that we, as a province, are not allowed to determine which policy is best for our economy. The federal decision that this must be regional is not flexible enough. We would hope, even expect, to work with our federal counterparts to create a transportation policy that will support the economic development of Prince Edward Island. Mr. Chairman, with regards to an industrial strategy for Canada, I want to emphasize that its usefulness to Prince Edward Island will be directly related to its flexibility.

Resource development strategies outlined by the federal government coincide more closely with Prince Edward Island's resource base. We have a particular interest in farming, agriculture, fisheries and forestry. I have already discussed energy at some length as a cause for our poor competitive position. In addition, I indicated that our economic circumstances have led us to assess alternatives to the present supply of energy. One such alternative being assessed is the use of our forests for energy.

The purpose of this assessment is to find ways to use our resources to produce electricity thereby keeping dollars in our own economy. It is one further strategy on our part to diminish our reliance on transfer payments. We are aware that the federal government is providing financial assistance to some other areas of energy production and we only ask for similar consideration.

We applaud the principle proposed by the federal government of finding world markets for agricultural products but during the discussion period we may want to spend, Mr. Prime Minister, more time on this in more detail. In addition to marketing, our agricultural community has other problems created by the current economic situation.

Farmers, fishermen, home-owners and most small businessmen in my province are facing a real hardship because of high interest rates.

As an example, most provinces except ours, have the fiscal flexibility to subsidize interest to farmers. We suggest as an alternative to varying degrees of provincial support, that the federal government,

through the Farm Credit Corporation, alleviate this burden by providing credit at more reasonable interest rates to our primary producers. This policy would allow our farming community, in this case, to a more equitable opportunity to compete.

The fishing industry on Prince Edward Island, like other provinces, eagerly awaits the results of the Prime Minister's task force on the east coast fishery. As a province we see opportunities for expanded activity in aquaculture and fish marketing.

In the entire area of physical resource development, Mr. Chairman, I want to re-emphasize that Prince Edward Island faces man-made disadvantages that prevent us from having an equal opportunity to be productive. This could be overcome by the federal and provincial governments working together to develop the necessary policies.

Because our physical resources are limited, we have always emphasized the importance of human resources and their development. We jealously guard our education system for the contribution it can make to our culture and our lifestyle in our province. For this reason, we view with concern, efforts by the federal government to bypass the provincial government and deal directly with universities. By the same token, recent federal initiatives in the manpower training areas are of interest to us. We are afraid that a national emphasis without provincial input will lead to a policy that moves people to jobs instead of finding ways to create jobs in areas of high unemployment.

In keeping with the federal government's policy of training people in high-skill occupational areas, I want to spend a moment on the proposed veterinary college for Prince Edward Island. The Charlottetown location was recommended in a study

commissioned by the Maritime Provinces' Higher Education Commission. We recognize the difficulties involved in getting support from all quarters for building this institution, but we believe that it is during economic times such as this that courageous decisions are needed by all levels of government. For Prince Edward Island, the veterinary college would have more direct beneficial effect than all of the federal mega-projects proposed. Mr. Prime Minister, because of that we feel that now is the time for the federal government to pledge its support for our initiative to build this facility as they have all other veterinary schools in Canada.

Mr. Prime Minister, the thrust of my talk is simple. We are a province. We believe that provincial and federal governments must work together. We do not want transfer payments that are self-perpetuating, but dollars that will encourage productiveness. My citizens want to be contributing economic partners in this nation. Historical events have worked against us. Together I am sure we can rectify that situation.

Thank you.

THE CHAIRMAN: I now call on Premier Blakeney of Saskatchewan.

HON. ALLAN BLAKENEY: Mr. Prime Minister and fellow First Ministers, may I first join in the welcome of our two new colleagues, Premier Pawley and Premier Lee.

I want to comment on the present state of Canada's economy and then propose some actions which we, as governments, might take. I will be critical of some policies and my comments are in no sense meant to be personal and I don't think they are phrased in that language.

We give the commitment of the Saskatchewan government to co-operate with the federal government and with other governments in Canada in

seeking solutions to the pressing economic problems facing Canadians and we believe that that commitment requires frankness on our part.

Canada, Mr. Prime Minister, is in serious economic trouble. To deny that is to ignore a number of hard facts. Our manufacturing sector is operating at less than 80 per cent capacity. There are more than one million Canadians looking for work. Mortgage foreclosures and bankruptcies are at their highest level since the great depression.

In short, we have a recession, the worst in 30 years and getting worse. Since our inflation rate remains above 12 per cent, and interest rates continue to hover at near record levels, clearly something is wrong. To use your language, Mr. Prime Minister, the mortgage interest rates are dreadful.

So, Canadians are in the grip of a recession, but one with a strange twist. Hundreds of thousands have been thrown out of work, but inflation remains unchecked.

This recession is the direct result, in my view, of the monetary policy which the Bank of Canada has followed since 1975, with the support of successive federal governments.

Perverse. Unfair to the point of being immoral. Harsh words, perhaps, but they accurately describe, not the intent, but the impact of both the policy and its legacy. To paraphrase President Roosevelt, we always knew that usurious interest rates were bad morals, we now know they are bad economics.

I agree with the Governor of the Bank of Canada when he says that this is the moment

of truth for the Canadian economy. But unlike the government, I feel that this is the moment for a change in direction. For six years now, Canada has experimented with a policy of tight money and high interest rates to fight inflation. Let's admit it, that experiment has failed, failed because from the start it never was an economic policy designed for Canada. It was an imported policy, direct from the textbooks of Milton Freidman.

This policy has also failed because the classical open market economy, the kind of economy for which it was designed, no longer exists in Canada, if, in fact, it ever did.

In every industrialized country, including Canada, many sectors of the economy are controlled by a small number of large corporations. A high interest rate policy does not force these corporations to put down their prices. In almost all cases they simply pass on their increased costs to consumers. If people can't pay the higher costs, the companies don't cut prices, they cut production. So we have higher prices, not lower, and fewer jobs, not more.

Premier Buchanan has already dealt with a good number of the prices in our economy which are, in no sense, subject to ordinary market forces.

At the same time, high interest rates create havoc in the few truly competitive sectors in our economy, create havoc for those manufacturers who have to compete with producers in other countries and many of these countries have a more realistic interest rate policy than we do. If any Japanese auto workers have been laid off because of high interest rates, I haven't heard of it, but ours have.

The same policies create havoc for small business people, for farmers, for the construction industry. All these industries depend heavily

on the borrowed money that they need to finance their operations. All have suffered under the current policy of high and volatile interest rates.

I want to make a point both on the height of interest rates and on their volatility. A high interest rate policy is particularly out-dated for Canada right now because the kind of inflation we have today is not caused by excessive demand. Prices are not going up because we have too much money chasing too few goods. Far from it.

Let me explain. This country has the capacity to produce more automobiles than we are now producing, more tractors, more new houses without worrying about prices soaring because of excessive demand. When the economy is operating at less than 80 per cent of its capacity, the problem is not too much demand, but too little. People are not buying too much and so driving up prices. They are buying too little, too little to make sure that their neighbour keeps a job. So if we take steps to stimulate economic activity, we will not be pushing up prices; we will be putting people back to work and this can be done. All that is needed is for government to accept their positive leadership role in economic policy-making.

Our first task should be to set aside some of the myths which have developed around our current economic situation. The first myth suggests that inflation is Canada's only major economic problem. Canadians have heard much about the danger of high inflation and of it becoming a permanent factor in our economy, but they have not heard as much about the danger of persistent high unemployment and that becoming a permanent factor in our economy. How many Canadians can recall the last time this country's unemployment rate was below seven per cent, once thought to be a very high level? The answer is March, 1976! Six years ago next month! I think that six years may be significant. We cannot, in conscience, continue to fight inflation with a blind eye to the economic and social costs of the million people out of work.

The second myth is that high interest rates are our best way to fight inflation. In fact, they are both ineffective and unfair. High interest rates sabotage economic growth. They put people out of work. They prevent the modernization of our industries,

the key to increased productivity, and they fail to bring down inflation. The six-year record proves it.

Third, we need to dispel the myth that wage settlements have created the current round of inflation. In each of the last four years, the average industrial weekly wage in Canada has lost ground to inflation. Certainly responsibility in wage settlements is always required in both management and labour and no one denies that. However, the facts simply do not support the argument that we are in a period of inflation caused by wage increases won by ordinary wage earners. I might have said that we could add another myth and that is that the objectives set out in the federal budget, laudable objectives, will be met by the terms of the budget, but we have put our objections elsewhere to the budget and I would prefer to deal with them in the closed session.

Finally, let us set aside the myth that the only way the federal government can reduce its deficit is to cut drastically its spending on medicare and post-secondary education. As the provinces have been saying, and as the Economic Council of Canada has confirmed, such cuts would do nothing to help the Canadian economy overall. They would simply shift Ottawa's budget deficit to the provinces. Let me make another point which has been alluded to, I believe, by Premier Pawley. If the federal government pulls out of some of its responsibilities for the financing of hospitals, medical care, universities, technical institutes, some provinces will be much better able than others to pick up the slack. Would that not then have one level of health care and advanced education in one province and a much lower level in another? I think if this is true it is undesirable. So, Mr. Prime Minister, let us then set aside these myths and state a few economic realities, at least as perceived

by us: inflation is not Canada's only economic problem. Today, it may not even be our major economic problem. High interest rates are not the solution to inflation. In fact, in recent months they have added to inflation. Wage settlements are not a leading cause of inflation. Finally, hospitals and universities should not be made the victims of restraint in federal spending.

Given these realities, Saskatchewan recommends an alternative economic policy for Canada. Our proposal has several key elements: one, the immediate adoption of a made-in-Canada monetary policy of lower and stable interest rates. Two, the abandonment of attempts to prop up the international value of the Canadian dollar. Three, the creation of a Canadian Public Investment Fund to finance capital projects of regional or national importance. Four, the introduction of effective national stabilization programs for Canadian beef and hog producers. Five, the introduction of a Windfall Profits Tax on Canada's major financial institutions. And six, a one-year moratorium on house mortgage foreclosures. Those are our specific proposals. We believe that they constitute a positive and responsible present strategy for Canada.

Let me comment briefly on each of these. The key is a commitment to provide Canadians with lower and stable interest rates.

Lower interest rates will put Canadians back to work. They will take some of the pressure off small business people, farmers, and the construction industry. They will give relief to millions of homeowners.

Stable interest rates will allow Canadians to plan their financial affairs with some degree of certainty. In particular, stable interest rates will give Canadian industry the confidence to invest in plant modernization and expansion. This kind of investment is vital if we are to increase productivity of Canadian industry; if we are to keep our place in the world as a major exporting nation.

The Bank of Canada argues that we cannot have a policy of lower and stable interest rates for Canada, that Canada cannot set its rates independently from those of the United States. They say that if Canadian interest rates are not as high as those in the United States, money that is now attracted to Canada by higher rates will go elsewhere. The international value of the Canadian dollar will fall. They say that would be bad. But a lower Canadian dollar would not be all bad, not by any means. Our exports would have an added advantage in world markets and in times of high unemployment increased export sales are good news, not bad. It is true that a lower international value for the Canadian dollar would require us to pay more for the things we import. That must be conceded, but that would also have a side effect of encouraging us to buy Canadian-made products. At the same time, wouldn't a lower international value for the Canadian dollar also encourage Canadian companies to invest more of their money at home, rather than in the United States? There is no simple, magic solution, but in simple terms we do have a choice: we can have a high value for the Canadian dollar, high unemployment and high interest rates, as we have now. Or we could have a lower value for the Canadian dollar, lower unemployment, and lower interest rates, as we propose.

I believe that the choice is clear: the first thing that Canada needs is a commitment to lower and stable interest rates. Hand in hand with that policy comes the decision to accept, if necessary, a lower international value for the Canadian dollar.

I turn now to the proposal for a Canadian Public Investment Fund. A recession, Mr. Chairman, is not a time for governments to retrench. It is a time for governments to take the lead, to show confidence in the future of the Canadian economy, to build confidence

in others. There is hardly an economy in the world which merits more confidence over the next decade than the Canadian economy. That is why we propose the creation of a Canadian Public Investment Fund. We acknowledge the very considerable efforts of the government of Canada in this area to date, very considerable efforts to mount investments in Petro-Canada and other projects. We suggest more and we suggest highlighting the efforts by creating an investment fund. Our point is simple: government as well as business has to invest in Canada's future and at a similar conference in 1978 I summed up the principle with the phrase "Jobs Today - Assets Tomorrow." I believe that principle still holds.

A Canadian Public Investment Fund could take several forms. The principle is the key: to create a capital pool for public investment in projects of national or regional importance. If the federal and provincial governments can agree to contribute jointly to such a fund, fine. If not, the federal government may wish to set up a fund of its own, to handle the revenues that it will be collecting during the 1980's under the energy agreements with the producing provinces. In this regard, we would suggest the federal government might wish to study the concept behind the Saskatchewan Heritage Fund. In our province money from all non-renewable resources, such as oil or potash, is placed in the Saskatchewan Heritage Fund. Most of the money, about 70 cents on the dollar, is used to pay today's bills, to build hospitals, highways and schools, to finance stabilization programs for farmers. But by law, a certain percentage each year must be used for long-term capital investments. These are investments which not only provide jobs for Saskatchewan people today, but lasting assets for all Canadians tomorrow. Things like potash mines, oil development, particularly heavy oil, hopper cars to move our grain to market and a good number

of other things. The Saskatchewan Heritage Fund is a concept of public financing which has worked in our province and which we suggest for consideration by the federal government.

Where might a federal fund of this type invest? Well, energy projects, high technology, and transportation come quickly to mind. Let's explore the potential of such a public investment vehicle for just a moment with respect to rail transportation. In 1980 Canada moved nearly \$20 billion worth of goods to export market by rail. That's \$20 billion worth of grain, potash, coal, sulphur, lumber, grain and other commodities, \$20 billion worth of foreign exchange that helped Canada's balance of payments. Investment is needed to increase rail capacity to meet an expanding world demand for Canada's bulk commodities and I share the views of Premier Bennett. We need an approach to expanding our rail capacity in the same spirit that we built the seaway and that we provide airports and we provide ocean ports. This has already been acknowledged by the federal government, which has committed itself to the double-tracking of some major railway lines in western Canada. The federal government has also promised to use money from the \$4 billion Western Development Fund to improve rail transportation.

Investment in railways will be a good investment for the people of Canada. It will be public money well spent. It will provide jobs today and big dividends in the future.

Grain is of particular importance to those exports, contributing nearly \$5 billion a year to our balance of payments. There is a need for a detailed look at the capacity of the rail system in relation to the larger issues surrounding grain; issues such as available market, issues such as price.

That is why the government of Saskatchewan has invited you, Mr. Prime Minister, the Canadian Wheat Board, the governments of western Canada, to Regina later this month to participate in what we have called Grain Summit '82.

The Grain Summit will deal with some of the major issues facing the grain industry in the 1980s and how we, as federal government and provincial governments and the Canadian Wheat Board, might be able to co-operate in making this an even greater industry and I would like to take this opportunity to invite you once again, sir, to participate or to send your representative to this important meeting.

May I say a word about agricultural stabilization. Canada's farmers are among the most efficient and productive in the world, but often the prices which they receive for their products bear no relation to the actual cost of production. Canadian grain farmers face the full rigours of international price competition.

The uncertainties of both the domestic and international markets are particularly severe for Canada's livestock farmers.

The result is a rollercoaster of high prices, then low prices, product surpluses, then

product shortages; a bad situation for farmers, but also for consumers. Nobody benefits but the speculators.

Saskatchewan recommends that realistic national income stabilization programs be introduced for Canadian beef and hog farmers. This will allow farmers to produce with some assurance that they will receive a return based upon their costs of production. Now, this is the path to increased food production which is important for Canada, and increased productivity in the agricultural sector which is also important for Canada. It would protect farmers from ruinously low prices caused by surpluses, and would protect consumers from sky-high prices caused by food shortages.

All Canadians would benefit from sensible stabilization programs.

I turn now to our proposal for a windfall profits tax on financial institutions.

The federal government is rightly concerned about its deficit and how to finance public investment.

One source of additional revenue, perhaps not a large amount, but not insignificant either, would be the banks and other financial institutions which have profited most from the current high interest rate policy.

In the 1970s when oil prices went through the roof, taxes were placed on the windfall profits gained by the companies in the oil business. The money business should be no different.

Our next point deals with a moratorium on home foreclosures. Under the

Canadian constitution, the power to legislate concerning interest rates rests solely with the federal government.

In Saskatchewan, as a stop-gap measure, we have passed a law to make sure that no Saskatchewan resident will lose his or her home due to high interest rates during 1982, but we would urge the federal government in consultation with the provinces to consider the possibilities of legislation with a similar but longer term objective, that is more comprehensive and nation-wide in scope.

So, Mr. Chairman, that is the Saskatchewan alternative. It proposes lower and stable interest rates. It calls for an end to attempts to prop up the value of the Canadian dollar at the expense of Canadian jobs.

It makes it clear that the governments have a positive role to play by investing in Canada's future, while encouraging the private sector to do the same.

It calls for effective national stabilization programs for Canadian farmers that will provide them with the economic certainty they need to produce more food for Canada and the world.

It says that Canadians should not lose their homes because of unacceptably high interest rates.

And it recommends that the financial institutions -- the people who have profited the most from high interest rates -- be made to pay their fair share.

This is not pie-in-the-sky. It is what we believe to be a solid investment approach to public financing.

We believe that Canada does not have to resign itself to recession. Canada does not have to be ravaged by the current high interest rates. There are positive alternatives and responsible alternatives. There is a road out of recession. I suggest that during these next two days we decide as Canadians to take that road.

Thank you, Mr. Prime Minister.

THE CHAIRMAN: I now call on Premier Lougheed of Alberta.

HON. PETER LOUGHEED: Thank you, Mr. Chairman. I have found, as I am sure we all have, a very interesting time listening to the very stimulating and diverse views of our First Ministers here. I had the recollection, Mr. Chairman, about a discussion you and I had at one of the discussions a few years ago where I asked you, do we always have to continue with this order of speaking, but I guess there are some great advantages to you from your position, sir, because then you can end up with the gentle and kind views of the Premiers of Alberta and Newfoundland to end the morning.

THE CHAIRMAN: Sometimes I would rather end up with myself, Mr. Premier.

HON. PETER LOUGHEED: We thought we would leave you a moment as I am sure you will have one.

The comment I would like to make with others is to welcome Mr. Pawley and Mr. Lee to these First Ministers' meetings which are so much an important part of the Canadian political scene. I hope we can get a consensus, Mr. Chairman, that would be important. I was one of the Premiers in 1978 who felt that we had two productive conferences on the economy. I thought they were productive in terms of a communiqué that indicated a common course of action and I thought that they were productive in terms of the spirit that was involved.

I must admit I have been disappointed, as I believe Premier Bennett mentioned, at the fall-off that occurred; and what I might have to say in some of my remarks this morning, the position taken by some governments since those conferences which have been quite different in terms of the thrust, the policy thrust that I thought was part of our understanding of medium-term objectives that we had at the conference in 1978.

There is no doubt that Canadians are watching this conference carefully. They are very concerned. We have heard that expressed by, I am sure it is clear, all governments. We are into a recession in this country and the interest rates are forecasted to go up even higher than they are and that is a matter that I want to dwell on. Certainly the prospects for our country in 1982 are not promising. Yes, it is true in the province of Alberta the forecasts are that we will have the strongest economy provincially of the provinces, but we are not immune from national policy and we certainly won't have the growth that we have experienced in some of the past years. Like the Premier of Ontario, I am an optimist too and I believe that there is enormous potential in this country, enormous potential that can be developed and can be encouraged if the 11 governments here can work in consensus, the 11 governments here can reach an approach that is understood by the Canadian community and its various facets.

When we look at the question of the approach, I look back in preparing for this conference at the meeting of the Premiers in Victoria this summer and the 10 points that we had there. I thought it was very important and I would like to underline the item in the Premiers' recovery plan of the emphasis on exports. I believe that is crucial to a perception of this country by the world as a trading nation, a successful trading nation, as being effective

and moving forward with our great potential on exports in a number of different areas that we are very familiar about in western Canada, and one, in particular that is important in Alberta and in British Columbia, and, I believe, to all Canadians. The single most significant move that can be made in terms of improving the value of our exports has to do with the surplus of natural gas that we have in the western provinces and in one move, one move in that particular direction, we can create a considerable encouragement by investors all over the world that look at the Canadian economy and its future; and we have adequate supply to provide for that important product throughout all of Canada for Canadian requirements and we will be delighted when the government of Nova Scotia with the federal government bring onstream natural gas offshore in Nova Scotia, which again will be a further benefit of an important energy need and we are in a very special position in Canada today to have that advantage.

We noted in the discussion in Victoria that it was essential that we have an investment stimulated recovery and that we improve investor confidence and that is the --- one of the two main themes that the government of Alberta presents to this meeting, the question of investor confidence together with the matter of interest rates.

We discussed that it is absolutely essential that the 11 governments work together. I was pleased, Mr. Prime Minister, with the tone of your report. I was somewhat disturbed with the previous statements that have been made that sort of implied that the federal government could move alone

or unilaterally in some of these economic moves and that had been suggested in the past couple of months by some speeches by some of your Ministers. I felt better today about your remarks, because they indicated to me that you realize that in a federal state we could really cancel ourselves out in a number of areas if we work at cross purposes in policies and that is a reality that I hope is acceptable and in our discussions in the next few days we can emphasize that.

We have got a lot of strengths in this country and as you travel in the world today they look at Canada and they just literally are amazed that we are into difficult economic problems when they see the resources and the educated people and the stability of our institutions and the spirit of entrepreneurship that we have. That entrepreneurship is one of the most underrated aspects of Canada's resource strength, Canada's economic strength, that entrepreneurship. We have nurtured that and encouraged that in the province of Alberta and we have benefited by it and a great deal of the prosperity in our province comes by the fact that the risk-taker wants to come to our province, wants to participate in the growth in our province and I think that benefit has spread throughout the whole country.

They are coming in terms of risk-taking to Alberta and we welcome it very much. I believe we have another great asset we have to be careful about and not take for granted and that is the goodwill we have in the world today. I think we have to be careful about the way we're appearing recently in terms of some of our approaches from an objective point of view which are probably sound relative to Canadian sovereignty and Canadian ownership, but - - - the foreign investment issue. As we mentioned at the meeting in Victoria, the rate of our moving towards Canadianization of our economy and the way in which we do it, and others have raised that this morning, is very, very important that it not be done with a view that Canada believes it can change the rules on its own in the world game of trade. I think that is very important that we recognize that and our relationship with the United States which is so important to us. We are not part of the European Economic Community or any community -- we are here in North America, part of a world community, but very clearly involved in the situation of the American economy as well. We have got some weaknesses. I mentioned the balance of payments deficit. I mentioned the way it is involved there. We have a weakness, I believe, in labour disputes as we are viewed by the world today and I think the recent trend in public sector settlements has raised the spectre and the prospect the public sector may push up wages in the private sector in the coming period in this country. And I think that will be a problem for overcoming some of the concerns that I want to refer to in a moment because, clearly, if we have a push in terms of wage settlements over the course of this next year, when we see quite a different trend developing in the United States, that it is going to affect our international competitiveness and it will in terms of other countries as well.

I think we need to look at our foreign trade

strategy and recognize that with regard to the United States there has to be a new strategy that has to be developed in cooperation with the provinces that has to reflect as well, in my judgment, a recognition that in the United States it is important that we work with the Congress and not with the administration and as well that we take advantage of what I am sure many have already felt, Premier Bennett mentioned it, that is the great potential on the whole Pacific rim for our country.

I have these thoughts about a national economic recovery strategy: the first one has to do with a made-in-Canada interest rate policy. I started this with a speech, Mr. Minister of Finance, in your home province on the last day of May last year and I have continued it now for I guess a number of months. I do not believe we need to track the United States' interest rates. I have been saying that. I have been pleased to hear a number of Premiers respond positively to that. We are a different country. We have got a different mix. We have got a mix in terms of small business people and farmers and homeowners. We have got a different mix than the United States and an interest rate policy that fits our circumstances is what is required and I want to develop that to some extent here and in a few moments. We have a choice, Mr. Premier of Saskatchewan, you and I agree it will not be without cost but let's at least have a debate in this country as to what is the better way to go. Is it a higher interest rate -- not higher -- to me interest rates are simply sky high and unacceptable to the farmers and to the small businessman particularly and to many others that want to risk funds and to the homeowner. That is unacceptable. Do we want that and then our dollar at 83, 84, 85 cents or do we have the choice? I think we have the choice. We could have an interest rate policy that is different for Canada, provided we have got investor confidence and I want to

come back to that. An interest rate policy that would be different that would have a somewhat lower Canadian dollar and we should be examining in the next few days, very effectively examining and hearing from the Governor of the Bank of Canada, and hearing from many other people what would be the implications of that choice. I, for one, since late May in the City of Halifax, have favoured a made-in-Canada interest rate policy.

The Americans are moving the interest rate for their own reasons. They have a different situation there. It has been suggested that if we do not follow them a number of things will happen. First of all, it is suggested that we will have higher inflation because we will have a greater cost of imports. Well, I am a believer in first of all the fact that we have got some unused capacity in our own economy right now and I am a believer too in what the Premier of Ontario has often argued here of buy Canadian and take advantage of import replacement potential. I am a believer, as well, that with regard to interest rates that it is going to be very, very important for people to say perhaps we have to change somewhat our purchases and some of our lifestyle and buy Canadian products whether they be food products or other products. I think that pressure will be good for Canadians and I believe it is one that we should face up to.

I question too about in terms of the whole issue of increased inflation, whether it hasn't been exaggerated a great deal. I think it has been. I think that if we had a lower Canadian dollar and higher imports some very surprising results might occur. The European countries are in this process right now. Three or four of them are. Granted they don't have the geographic situation we do, but they have taken the view of establishing their interest rates in an independent way in European countries and they have done it intentionally. I think we should be taking care of this here, and then, as a result,

if we are going to have the advantage for our exporting trading nation with a lower Canadian dollar, we are going to have the advantage of selling our products on the world marketplace and that will be a plus for us.

Now sure people say "Once you start on that won't there be a flow out of investment funds?" That is the crucial question and that links to the second point. I don't think we can have, with respect to some views that have been expressed here today, a lower interest rate or a lower interest rate policy unless it is linked with something else and that is business investor confidence in our country. If we don't have that, that run can occur, but if we can, with natural gas exports, with an economic policy that makes sense, with an encouragement to the private sector, with a view that what we want to do is build investor confidence that we know we have got our act together in this country, I believe that we can pull the two together. I don't think you're going to have a made-in-Canada interest rate policy if you don't have a sense of investor confidence in this country. I think the two have to go together, but I think they could be brought together and I think the potential is there.

That brings me then to the whole issue of the private sector emphasis. I feel very strongly about it. I believe, and have believed since I have been in public office, the role of government is to create an atmosphere in terms of job creation, a climate for investment and for the risk-taker. I have been concerned about some actions that have been taken. I am concerned about the federal budget in both its timing and its implication with regard to that matter. I am concerned, Mr. Prime Minister, with due respect that I read the 15 pages in your document and we talk about the private sector and we use the expression "lip service" and I

have just gone over the 15 pages and maybe I am misreading it but there isn't really a word of basic encouragement to the risk-taker in the sense of the private sector and the role that it should play. I believe there is an important role for the public sector and that role is the role that when the private sector is either not capable or not prepared to take advantage of situations that are essential such as in the transportation area that that is when we should be involved in terms of public sector investment. There is a very important difference between public sector expenditure though and public sector investment. It is one thing to have the investment in assets if you like by the public sector. It is quite another thing though if we move, step by step, this country into a situation where our gross national product has an ever-increasing share of the public sector, less and less to the private sector and we get into a situation that, in my view, will simply stifle the Canadian economic growth and the opportunity that we have.

I believe that the matter of investor confidence isn't just actions. It is attitudes, it is statements, it is encouragement, it is fairness, it is consistency, it is a known economic strategy that is understood and accepted and I think, Mr. Prime Minister, that that is where the test of the next number of months lies with your administration and with all of us, to restore that investor confidence. It isn't there in Canada today. It wants to be here. It has got choices and let's encourage that private sector investment in a significant way.

One thing that they look at in any country that ties together with investor confidence, ties together with interest rates is the level of government expenditure as distinguished from investment. We agreed in 1978 that public sector wage settlements should not lead the private sector. That was the undertaking that we took and I

think to a reasonable degree for a couple of years didn't do badly in it. I see real concerns developing now. We in our province have established guideliness for the public sector. We want to see the public sector not lead the private sector. Obviously some of you do not agree with that approach but I ask you to look back at what you said in 1978; look back at the importance that the private sector not be following in terms of wage and salary settlements because if that occurs I think we will -- maybe we haven't yet, but I think we will-- find an inflation factor that will start to move in this country even more seriously than it has in the past and then the other things that I have proposed won't work. It won't matter what the investor confidence will be. We won't be able to have a made-in-Canada interest rate policy. We will have to keep our own government house in order as far as I am concerned.

I want to mention just briefly too the question of transportation. In Canada it is a key and I think it is fair to say it is a key in every province, not just in my province or the western provinces, but like the Premier of British Columbia mentioned, just the thought that somebody in the federal government would make a speech, as he did this summer, and talk about rationing of rail cars in 1985 when we got the markets is something that really shudders the farmer and the producer and the citizen of western Canada. I believe there is, I sense there is an effort by the federal government to recognize that and to come to grips with that and we welcome working with them on that score.

In conclusion I am optimistic. This country's resource potential, this country's overall potential, its talented people and its entrepreneurship are great assets; the goodwill that we have in the world. We have got to have a change in attitude towards the private

sector though, and our two priority objectives here are to try to convince you, Mr. Chairman, and the other governments that we need to restore investor confidence and that we need to establish a made-in-Canada interest rate policy.

I think if we do that and we take those steps together with others that have been suggested here that we will certainly wish to discuss, that the citizens of this country and the risk-takers and the entrepreneurs across Canada will have a renewed faith in this nation and say that we have got our act together in a governmental way and that we are moving in an agreed direction, we are moving in a way that we can take advantage of our potential and we will have a better life for all of our citizens.

Thank you.

THE CHAIRMAN: Now, Premier Peckford of Newfoundland has the floor.

HON. BRIAN PECKFORD: Mr. Prime Minister, the province of Newfoundland welcomes this opportunity to review the economic situation in our nation and to develop a national program to overcome the many difficulties which Canadians face from coast to coast. It is my hope that the spirit of mutual co-operation and ensuing success of the most recent discussions on the constitution will characterize our discussions on the economy over the next several days.

There can be no doubt that we have a great many economic problems facing us at this time, even though Canada is a country rich in resources, both natural and human. By most standards, I guess we should be experiencing prosperous times, yet we are in a serious national recession with no immediate relief in sight.

As a nation, we are experiencing a record level of inflation, extremely high interest rates, unemployment which is high and rising, low growth, low productivity and low investor confidence.

There is growing concern that the policies being adopted are more a cause of problems than a possible cure.

It is fair to say that while these problems are serious right across the nation, they take on crisis proportions in those areas of the country which already have a relatively weak and fragile economic base. Such an area is Newfoundland where the level of economic well-being has never even come close to the national average. When a recession hits the rest of the nation, it virtually means a depression in those provinces which are below national standards at the best of times.

In this context, the two primary agenda items of this conference, economic management and economic development, are particularly appropriate. Under the discussion of economic management, I will be particularly interested in those measures which can alleviate our economic problems in the short term. Under the discussion of economic development, we must address the more medium-term issues to place the economy in a stable growth pattern and to realize the potential that, we are all agreed, exists in the Canadian economy.

There is a third element which must also be discussed. That is the renewal of the Federal-Provincial Fiscal Arrangements Act. That Act, which implements the equalization principle about to be entrenched in the constitution, provides for the intergovernmental transfer of some \$16 billion a year. It is a central feature of the functioning of the public sector of the Canadian economy and the Canadian federation.

Mr. Chairman, a quick review of the current state of the Newfoundland economy will suffice to show what regional disparities are all about. Unemployment is in excess of 14 per cent, almost double the national average. If this rate applied nationally, nearly two million Canadians would be unemployed. Earned incomes are only about 50 per cent of the national average and this level of disparity has not materially changed in 30 years.

There seems to be the impression nationally that, because Newfoundland is blessed with rich natural resources, historic disparities will quickly vanish and have already begun to disappear. Nothing could be further from the truth.

While we are rich in natural resources, economic disparities can only be overcome if these resources are developed and managed such that the benefits accrue equitably to residents of the province as well as to all Canadians. To date this has not happened and Newfoundlanders have not participated in any meaningful way in many major resource developments that have taken place in our province. As a result, the disparities between our province and the rest of the nation are not decreasing, they are increasing.

We have great concern with certain national policies which are currently being pursued by the federal government with a great deal of vigour. We are concerned both because they do not appear to be working to solve any problems nationally and because their impact on a province such as Newfoundland

are what can only be described as catastrophic.

The primary short-term problems are inflation, high interest rates and soaring unemployment. The federal economic management policy response to date has been a single-minded concentration on tight monetary and fiscal policy. The effects of these policies are such that it is now difficult to distinguish whether we suffer more from the disease than from the alleged cure.

Mr. Chairman, the apparent objective of present policies is to keep interest rates high to maintain the external value of the dollar. High interest rates are also intended to curb demand, thereby producing downward pressure on prices. The problem with these policies is that they have increased unemployment to unacceptable levels without curing inflation.

Tight fiscal policy is also apparently being pursued as a measure to exert a downward pressure on prices. Again, the result of this policy has been to increase further the unemployment problem.

Rather than having the desired effect on inflation, high interest rates are having the opposite effect. It has increased the cost of locked-in debt such as mortgages and decreased output by forcing producers into bankruptcy. This is particularly and painfully true for homeowners, small businessmen, farmers and fishermen.

Similarly, tight fiscal policies have precluded productive public investments that would have stimulated output. I can think of numerous instances of this in Newfoundland and Labrador and I am sure the same is true right across the country.

In your correspondence, Mr. Chairman,

in setting up this conference you stated that there are "simply no alternative policies" to those your government has pursued. I would like to take exception to that statement; firstly from the point of view that it prejudices the outcome of this conference, and secondly and more importantly, I believe there are alternatives.

Fiscal and monetary restraint are, no doubt, necessary. But these policies should not be pursued with such single-minded rigidity that we destroy the basic productive capacity of our economy. I will sketch the outline of some policy alternatives here and provide more detail in the coming sessions.

Number one, interest rates. It is not necessary to maintain the external value of the Canadian dollar by using high interest rates. First, lower interest rates would be a boost to developers and consumers alike.

Second, the effects of lowering the value of the dollar would be a stimulus to our export industries. This latter point is especially significant for, as you noted in the release announcing your recent Cabinet reorganization, Canada is one of the most trade dependent nations in the world. Exports represent more than 25 per cent of the value of all goods and services produced in this country.

Canada should pursue a more independently Canadian interest rate policy. It is sometimes argued that lower interest rates may create a short-term run on the Canadian dollar. In my view, any such occurrence would be checked by increased output, increased foreign demand for

our exports, decreased domestic demand for imports, and hence increased investor confidence in our economy. Investment in new plant and equipment would lead the way towards restoring national productivity. Without greater productivity we are destined to suffer an erosion in our economic well-being.

The impact of increased output could be just as effective as an anti-inflationary measure on the supply side of the economy, as the current high interest rates are on the demand side.

Number two, inflation. Obviously, current policies are not having the desired curative effect, as evidenced by continuing high inflation. An alternative to the present policy would be to attack inflation from the supply side. It is a very fundamental economic concept that increasing supply will have a similar effect on prices as would decreasing demand, the major difference being that decreasing demand is a negative and punitive approach whereas increasing supply is a positive approach.

In this instance, my suggested alternative for battling inflation is entirely consistent with my recommended interest rate policy. The objective of both is to stimulate investment and output.

Mr. Chairman, we should not be forcing Canadians to make do with less, we should be asking Canadians to produce more and to channel their increased incomes into savings and investment.

These policies could be complemented by others that would curb excessive consumer demand, but only if such measures become necessary in the short term. Credit guidelines for financial institutions could be introduced. Selective application of these could have the same effect on consumer demand as present policies.

However, citizens would not be penalized for investment or purchase decisions already taken. This is particularly true for homeowners. Productive developments, which are now discouraged by high interest rates, would become attractive.

Thirdly, unemployment. The policies I have outlined for interest rates and battling inflation would have the added benefit of generating employment. The present policies have the effect of generating unemployment. The major projects on which the federal medium-term strategy is based, will be impeded by the high level and volatility of interest rates. In many instances, investors can now make a higher return by simply banking their money than they can by investing in projects and activities which increase output and employment. If these projects do not proceed, our unemployment problems will remain, output will continue to shrink and inflation will continue unabated.

Mr. Chairman, the combination of record high interest rates and tight fiscal policies are having a devastating impact on many sectors of the Newfoundland economy. Particularly

hard hit has been the fishing sector, which is the only economic base of hundreds of communities in Newfoundland. It is impossible for me to explain to a fisherman that the maintenance of the external value of the Canadian dollar is of such importance that his very livelihood must be sacrificed and then, at the same time, tell him that the interest rate on his boat and home must be increased for the same reason. It is small comfort when you are unemployed to be told the external value of your currency is more important than your job or your home and that is what thousands of Canadians are being told every day.

If we are to create a favourable climate for longer-run economic development, we must first adopt short-run economic policies which lay the ground work for growth. I believe that the suggestions I have made would assist in that regard.

I would like to make a few comments now on the other theme of this conference, economic development.

Economic development must, of course, start from the basis of shorter-term economic management policies. The emphasis of economic development policy must be to facilitate investment.

The medium-term strategy document released with the federal budget and the recently announced federal Cabinet reorganization appear to be based to a large extent on the projects identified in the Major Projects Task Force Report.

I welcome any policies and organizational structures which will facilitate these developments. In my own case, I am particularly anxious to see the impediments to the development of our hydro resources in Labrador

I recall that at the last First Ministers' Conference on the Economy, an agreement was concluded to establish the Lower Churchill Development Corporation. That corporation has made substantive progress with the necessary preparatory work. It would be very appropriate if at this conference we could take some actions which would provide a further impetus to this project.

In addition to projects such as the Lower Churchill, the development of our fishing industry and the offshore mineral resources also present major opportunities for regional development. With respect to offshore resources, negotiations regarding joint management and revenue sharing are currently underway between the two governments which, if successful, will lead to major developments for Newfoundland and for Canada.

Mr. Chairman, I would be negligent in my duties if I did not, in these opening remarks, draw your special attention to the serious financial difficulties now being experienced by the fishing industry on the east coast, and particularly in our province. The industry has lost tens of millions of dollars over the past two years. Some short-term emergency assistance is necessary. For the longer term, major structural changes are required and I look forward to seeing the results of your newly-appointed task force to which the Newfoundland government will be making a detailed presentation. That presentation will deal with all aspects of the industry, including resource management, harvesting, fleet replacement, processing and marketing.

Within the framework of a revitalized approach to regional development, there must also be increased emphasis upon the role of research and development at the national and provincial level. While investment is the mainspring of economic growth and is critically important if productivity is to be enhanced, there

must also be an increased commitment to technological advancement. Canada devotes a much smaller share of its wealth to R and D than its trading partners, such as the United States and Germany. However, there has been increasing recognition of the importance of research and development at the national level. We also believe that regional development policy must be more responsive to the role of high technology industry and upgrading the skills of the labour force.

Mr. Chairman, I welcome your stated emphasis on regional development. It is my sincere hope that the implementation structure you have announced will permit full cooperation and consultation.

On the matter of fiscal arrangements, this is the final specific item I wish to cover in these opening remarks. There are several reasons why I feel a discussion of these arrangements is necessary at our level. We are about to entrench the principle of equalization in our constitution. It is imperative that the first renewal of equalization following entrenchment should be the result of a consensus reached between the provinces and the federal government. I would hope that our discussions, and those of our finance ministers, will see that consensus emerge.

The other main element of fiscal arrangements, namely, established programs financing, was introduced by you, Mr. Chairman, at a First Ministers' Conference in 1976. That system has been widely acknowledged as a major step in the development of federal-provincial fiscal relations in Canada. This program constitutes the financial underpinnings of the entire post-secondary education and health care systems in this nation and the importance of this was reaffirmed at the most recent Premiers' Conference in Victoria. It would be unfortunate indeed if we permit this arrangement to be altered in any way without a consensus at the

First Ministers' level.

My final observation, Mr. Chairman, is that, while all Canada shares the same economic problems to a greater or lesser degree, unique solutions are required in specific regions. The problems are severe and the need for action is urgent; but we should not concentrate on looking for a single solution. The Canadian economy is diverse and so must be the answers to our economic problems.

The Canadian economy is a collection of provincial and sectorial economies, among which there is a close interdependence. Prosperity in any one region will benefit all regions and policies that inhibit growth in any region damage the whole economy and must be avoided.

It is in that context that I highlight the economic opportunities of Newfoundland and Labrador. The Major Projects Task Force Report identified some \$20 billion of capital projects in the province between now and the year 2000. That is almost five per cent of the total for all of Canada, or twice our relative share of the Canadian population. This disproportionately large share of national mega-projects is indicative of Newfoundland's potential contribution to the national economy. All Canadians will benefit from these projects.

In similar fashion, we hope to benefit from activity in other parts of Canada. That is the way our Confederation should work. Our efforts to develop the fishing industry, hydro resources, and the offshore, constitute regional development; but they are also a very important part of national development. If we develop the opportunities in all provinces, then by definition we will have developed the Canadian economy.

In closing, Mr. Chairman, I express the hope that in our discussions over the next three days, we can reach a consensus on:

1. The short-term measures that are urgently required to solve our economic problems.
2. The appropriate medium-term strategy for economic development which recognizes the full potential of all regions of this country.
3. A mutually satisfactory method of renewing the Federal-Provincial Fiscal Arrangements Act.

We can solve our economic problems, but only if we all work cooperatively and build on the strengths of each region of this nation. The suggestions I have made would, I believe, help alleviate our short-term problems and would create the foundation for sustained economic growth and prosperity in all regions of the nation; a goal I hope to which we all truly aspire.

Thank you very much.

THE CHAIRMAN: Well, thank you very much, gentlemen. We have gone a little bit over our time. I wonder if you want to consider convening again. Instead of 2:30 as we had planned, give ourselves an extra half-hour and say three o'clock. Would that be agreeable? So then we could meet in the Centennial Room at three o'clock. You will recall that is the room on the 5th floor where such momentous events took place last November.

La conférence est ajournée.

FEDERAL-PROVINCIAL CONFERENCE
OF FIRST MINISTERS ON THE ECONOMY

CONFERENCE FEDERALE-PROVINCIALE
DES PREMIERS MINISTRES SUR L'ECONOMIE

VERBATIM TRANSCRIPT

(unverified and unofficial)

Evening Session of
February 4th, 1982

COMPTE RENDU TEXTUEL

(non révisé et non officiel)

Séance de la soirée
du 4 février 1982

OTTAWA
February 2-4, 1982

OTTAWA
du 2 au 4 février 1982

-- FIRST MINISTERS CONFERENCE ON ECONOMY --

Thursday, February 4, 1982

---Wednesday, February 3rd, 1982 in camera session

---Thursday, February 4th, 1982 in camera session

(PUBLIC SESSION):

---Upon commencing at 6:30 p.m.

THE CHAIRMAN: Well, we are now at the closing moments of our conference and we had agreed that this part of the conference would be in public and that we would all have a chance to draw our own conclusions publicly. I thought we might follow up a suggestion made by Premier Lougheed on the opening day and inverse the usual order and perhaps begin with Premier Peckford and have the opening statements begin in that fashion and modestly I would have to come last under those circumstances.

HON. BRIAN PECKFORD: Mr. Prime Minister, ladies and gentlemen, I cannot respond in this conference with the same degree of enthusiasm and gusto which was easy for me to muster on another occasion not so long ago and I regret that that is so. The Premiers of the ten provinces have for some time been calling for a conference on the economy for obvious reasons that all Canadians know about, high unemployment, high interest rates, high inflation, to get together as First Ministers and see if we could not collectively show some leadership which to me means some confidence, some hope in the Canadian people as to what they can look forward to from their leaders over the next few turbulent months. Unfortunately, we have been here longer than I guess a lot of us thought we would be here and haven't really accomplished all that much.

First of all let me say, Mr. Chairman, that one of the reasons I believe we haven't accomplished all that much is because the process is not a proper process. That is, the economic management policy of the

nation, the economic development policy of the nation and the fiscal arrangements policy of the nation have all been articulated before we came here, so we were responding to a sort of *fait accompli* in trying to readjust things which had already been announced or put into place and I think if we are going to be successful in these hopefully ongoing economic summits we must approach it together and without taking firm positions and firm policies which, therefore, leads the conference to failure before it even begins.

I think most of the First Ministers here came here with new ideas, tried to be innovative and creative, tried to put alternatives on the table which would perhaps steer us in a little different direction than we are going now as it relates to economic management. I know we did as a province and most of the other provinces did. I think it is unfortunate that all of our short-term and long-term alternatives only one of which was to look at some reduction in interest rates along with a range of other ones that would have to go along with that first idea for it to work have not been accepted. I find it very peculiar that coming out of our talks on economic management was the feeling that everything that is being done is right, there is nothing else than can be done which could improve the situation so we must continue on this course because we are now in the best of all possible worlds when it comes to techniques to try to battle inflation and high unemployment. I, for one, cannot accept that as being the kind of idea that Canadians want us to say at this time, nor is it a necessary thing for us to say at this time. I think there are a lot of other measures. I guess today's meetings and some of the other private meetings we have had leave me with the same kind of impression that I had during some of our early constitutional conferences, that the concept that most of the Premiers have of how you can move the economy and the concept that the federal government has are completely different. I was

just thinking out loud a few minutes ago to a few people and I said that perhaps we need a Supreme Court on the economy to get ourselves back into line as to what can and what cannot work in a diverse nation such as Canada. This idea that the federal government now wishes to withdraw from arrangements and agreements duly bargained between the partners in Confederation and go it alone 100 per cent money, 100 per cent exposure, 100 per cent visibility as has been said by the Premier of New Brunswick today just will not work. The country is too diverse and we must sit down together and hammer out initiatives and programs for economic management, economic development and fiscal arrangements. So I regret that we leave here tonight and tomorrow having been unable to grapple with some of the real problems that ordinary Canadians have.

I cannot accept the proposition, like a lot of other people, that when individuals in this nation have to renew mortgage rates -- mortgages at 17 or 18 per cent -- that we have got to tell them that they have got to live with wage increases of eight or nine per cent. I don't think that is a fair deal at all for Canadians and I don't think it will be an acceptable one. We have to be more creative. We have to be more imaginative in our approach to a very, very difficult economic situation and a lot of theories won't work. We have got to look at what is in this nation and what we have done with it over the last 10 years and then apply different ways of trying to solve it.

One of the great disappointments, Mr. Prime Minister, outside of a total rejection of our alternatives for economic management for the short term as well as the long term, and our inability to come to any conclusions on initiatives now, concrete initiatives for regional development throughout the country, and one of my other great disappointments was today, and for some strange reason the whole concept of equalization which is surely a cornerstone to this Confederation being somehow diluted, that somehow it is not now as important as it always was. I get that feeling.

Hopefully over the next few days now the Ministers of Finance and their officials can resolve that very thorny problem. For some of us like Manitoba or Nova Scotia and some of the "have-not" provinces, we just cannot -- we just cannot make a budget this year until that situation is solved.

When you cough in Ottawa financially we are going to be in the hospital for quite some time with double pneumonia.

Therefore, it is critical if the government of Newfoundland or some of the other administrations across this nation are going to try to assist in their own jurisdictions that we have a resolution to that fiscal arrangements problem.

I hope, Mr. Prime Minister, that over the next couple of weeks and months that the various ministries in the local level, in the provinces as well as the federal government, can co-operate in the economic development process of the new restructuring that you have announced and that we can expedite proposals now on the table, that the government of Newfoundland for one has had there for a year or two years that can assist in alleviating some of our problems.

I talked about, as the federal government has, let's get on with manpower training and we have proposals on that on the table, let's get on with research and development and these things at least will give some psychological lift to some of our people in economic hard times.

I don't think that we are going to get beyond the next three or four months on the policy now being pursued monetarily and fiscally by the government of Canada. I don't believe the people of Canada with the high inflation, with high unemployment and all the rest of it are going to stand for it and I think we are going to be back

here to try to resolve those problems. The situation in the country is serious and somehow we have got to come up with new alternatives to deal with it.

I hope, Mr. Prime Minister, that we are not always perceived, as apparently I am perceived daily or second by second, as just coming here to bash the federal government and I think it is unfortunate that very often that is the kind of tone and tenor and attitude we are receiving when we say or criticize some program or other. We are here to try to make Canada work better economically and I think we should be willing to exchange views and constructively criticize alternatives that have been put forward one by the other.

The nation, in my view, is in deep, deep trouble economically. We have got to try to do something to come out of it. The last three or four days have not contributed very much in coming out of that. I honestly believe, like the Premier of New Brunswick, that the policies that you are now pursuing as it relates to economic management and economic development will not work in the provinces of this nation, that there has to be more co-operation with the provinces and the federal government to make these things work and you just cannot do it by bypassing a legitimate form of government that we are about to enshrine in a brand new constitution.

I hope future weeks will see more success than we have had here in the last few days. I hope that we can resolve our fiscal arrangement

problems and I hope that we can show ordinary Canadians who have got to work and who have got to pay mortgages that we can do a better job before 1982 is out than we have been able to do in the last three or four days of this conference.

Thank you very much.

THE CHAIRMAN: Thank you, Mr. Premier, and now it will be Premier Lougheed of Alberta's turn.

HON. PETER LOUGHEED: Thank you, Mr. Prime Minister.

My concern, and I think about the many Canadians who have been watching this conference, is they all recognize that we are in a difficult economic situation and they are looking for leadership. I believe that most Canadians understand that, in our system and in our federal system, that in many of the economic policies in this country, there has to be co-operation, that we have to work together, that the provinces or a number of them go in one direction and the federal government in the other and that is not a desirable situation. I think they are well aware the federal government has the responsibility for monetary policy and setting interest rates but they know in other areas, such as areas of economic activity and fiscal positions, that they know that provinces and the federal government, in order to have an effective situation or climate for investment, have to work together co-operatively.

Mr. Prime Minister, I was one of the, I believe, strongest boosters of our conference in 1978 where I felt very good about it. I felt very good about the communiqué and the spirit in which we came together. I realize people do criticize it when they look back at it in terms of a lack of follow-up. There are some reasons for that, some political events and other reasons but the fact was we were on a common course of action and I would have hoped that out of this meeting of the last few days we could have regained that position of a common course of action. What we have found is quite a difference of opinion and that is fine. That is part of the process, but I think it is unfortunate. We have seen positions taken by the federal government that are quite different both in terms of attitude and proposed policy than that that I sense would have been the view of the consensus of the provinces. So as a result of that it is disappointing and that is the reality though that Canadians who are listening to this conference must be aware of.

On the question of the fiscal arrangements I thought the most significant part of it was the fact that, despite some very serious tensions we have had in our Confederation, there was a position taken after today by all ten provinces, every single one of the ten provinces, on an issue involving the fiscal arrangements and equalization which our province of Alberta in the spirit of Confederation was prepared to make an important and significant contribution. I believe Canadians are concerned about inflation. I am sure that we have heard enough discussion to know that that is not the only thing they are concerned about, but they are concerned about inflation. I urge very strongly that we not reach out for the apparent simple answer in terms of inflation for an approach to wage and price controls such as we moved to in 1975. With

what is going on in the United States in my opinion if we did that in this country I believe it would be very, very negative for the economic position in our country. I do believe that all the governments, each in our own way, will have to continue to exercise restraint. We, for our part in Alberta, have been working on that approach in a number of ways, but I do believe -- this is something we have discussed at other times -- that we must exclude from that question of government restraint investments that we may make that would improve the productivity of our country because one of our inflationary problems is related to the issue of productivity. I believe too that we should try very hard in terms of inflation to reduce the degree of unnecessary imports into this country and develop a situation where we are using our own particular food products more and getting involved, where we possibly can in Canada, with developing an import replacement program.

The whole situation of watching this conference, and I have been talking to a number of people back in Alberta, the overriding concern still remains with interest rates and where they are going to go this year. They affect so dramatically our farmers and our small business people and our homeowners. The concern that has been expressed at least to me is that there is a forecast that the United States interest rates are going to rise this summer as a result of the defence

budget that they have in the United States and the deficit that is going to occur and that those interest rates may rise, and I say may rise dramatically, in the course of the summer. If this happens, then we have, I think -- Canada has and the federal government has -- a very important decision to make. I have been arguing now for many months and I presented this argument a few days ago that we do not need to track in those circumstances, automatically, the United States interest rates, come back to the position that we were in not

too many months ago of interest rates in the 20 per cent plus. I heard the Governor of the Bank of Canada on Tuesday afternoon and I just wasn't convinced and I am not convinced that there is only one way to go on interest rates and I will continue to press that point. I believe we can have a made-in-Canada interest rate policy. I hope my position will not be distorted by others. Alberta does not believe we can just do it in isolation. We can only do it "if", and I have a number of "if's" that are part of the package. First of all we have to improve our balance of payments. We have the dramatic opportunity to improve them with the authorization of natural gas exports. I think we have got to cut back on the restrictions of welcoming investment here in this country and welcome investment and reassess the whole question of the Foreign Investment Review Agency. But the key in terms of our ability to have a made-in-Canada interest rate policy is that we have Canadians feel that it is a good thing, that they have confidence and that their whole attitude turns towards risking their funds here in this country and that there is no flow-out but there is a flow-in. I believe sure it is possible there might be a slightly lower Canadian dollar. Frankly I'm not even sure that is going to occur if we did it right.

I am not sure it would because I believe most people would sense the strength of this country of ours, but if it did happen, then I believe that in many sections of the country we would have an improvement in our export sales and we, at the same time, would strengthen other parts of the country in terms of import replacement. So I don't think it necessarily would happen if we had our own interest rate policy which would mean lower interest rates in the course of this summer than might occur in the United States. It is quite a debate we have had, a very interesting one. One thing I feel good about, I was asked by some of the people in the media whether

I wasn't discouraged with the response of the federal government. I said I was disappointed but not discouraged because one thing happened on a positive basis out of this conference: Canadians now know there is a choice. Canadians now know there is an alternative and that we don't have to track the United States rates. I think that public debate, which is going to be very significant if the United States rates go up, I think that is a real plus that comes out of this conference.

I want to say just a word about the economic development discussions we had. The key in my view comes back to the question of having the risk-taker be prepared to risk his funds here in Canada to create jobs for Canadians and I think we have to turn the risk-taker around. I am sorry to hear, Mr. Prime Minister, that your assessment of your budget of November and mine are so different and I hope you will think more about it because I think the budget was discouraging to the risk-taker. I think there is a multitude of ways in which we can encourage the risk-taker in Canada and I won't take the time to repeat what I have said in the meetings that we have had. I suppose the key, Mr. Prime Minister, was an exchange you and I had this morning and I guess it points it up and it really comes down to the question of the role of the private sector. I believe that it is the jobs created in the private sector that have the multiplier effect. I believe there is a limitation to what government can do in terms of actual creation of jobs. The government role is to create an atmosphere for the risk-taker. Obviously we are, Mr. Prime Minister, you and I, at least, are in very sharp disagreement apparently on that point and that was the sense of it. Well, for my part, I may be disappointed, but I am sure as heck not discouraged. I intend to continue to press the views that I have expressed here in every way I can throughout the country. We have got the resources, we have got the

talented people. We can have the national economic policies. We can have lower interest rates and we can build upon the strengths of this country, so as far as I am concerned it has been a disappointing conference, but we intend, as far as Alberta is concerned, and I intend personally, to press forward and build upon the strengths of this country.

Thank you very much.

THE CHAIRMAN: Thank you, Premier Lougheed. I will now call upon Premier Blakeney of Saskatchewan.

HON. ALLAN BLAKENEY: Mr. Prime Minister and fellow Premiers, I have to say I too am disappointed by the results of the conference. I think that most Canadians will regret that our deliberations have effectively failed. I think we might reasonably describe this conference as a conference of failed opportunities. I think Canadians have a right to expect more. For the first time in three years we First Ministers were sitting down to discuss the direction of the Canadian economy. Most people I suspect expected that our discussions would start with the acceptance of what I think is a reality and that is that the current policy of tight money and high interest rates has failed. The acceptance of that fact would have allowed us to move a little more effectively into a discussion of what alternatives might be. Now let me emphasize again and share the view expressed by Premier Lougheed that I think there is a responsible alternative. It is an alternative which has been suggested by almost every one of the Premiers around this table. Just let me state again the elements of that alternative policy we were putting forward. It would include, first, a commitment to lower and stable interest rates which would get the Canadian economy moving again and pull us out of this recession and get some people back to work.

I concede that it might involve an acceptance of a lower international value for the Canadian

dollar and there are disadvantages to that. Our imports would cost more, our payments of foreign debts would cost more, but there are advantages too. It would improve the competitive edge of our export industries, encourage some new investment and again put people back to work.

The third element of that policy was a commitment to some massive investment which the Canadian economy needs to keep its place in an increasingly competitive world. This investment in many of the projects which we discussed, energy projects, transportation, industrial modernization, would ensure that Canadians not only had a present but had a rich future to look forward to. That is the alternative policy we put forward, but it wasn't accepted. In the view of the Canadian government it was unsound.

Why would the federal government reject that policy? Well, I think because of their single-minded defence of what I think is indefensible, that the only way to deal with inflation is to have high interest rates and that this may well some time deal with inflation and then that may well some time allow us to create some jobs and get some economic growth.

I think that policy based upon the six-year track record is indefensible. There has been, by those who advocate this policy and they are by no means all of this country, there is just a feeling of resignation, that we simply have to drift, we cannot plan and so we in Canada are left with that current policy.

Now, there are some very substantial adverse effects to that policy. I don't need to outline to this group what -- the many penalties that are being paid by Canadians because of those high interest rates. Each creates a more unequal society. It creates winners and losers. It allows the banks to have huge profits while Canadians lose their homes. It allows major corporations to pass on their increased costs because of high interest rates while Canadian farmers can't even cover their costs of production. It is a policy that allows disparities to increase between rich and poor, between region and region.

In short, it is a policy which gives more to those who are already abundantly provided and takes away from those who have little.

Now it isn't a fair policy and I think everybody admits that, but what is worse is it is not working, so why should we persist? I think the logic of the current policy escapes a great number of Canadians and for good reason. Let me try to be as blunt as I can. What the supporters of this policy are telling us is that for the Canadian economy to be healthy in the long run we must create a recession, but surely that doesn't make sense. In my view we don't have to resign ourselves to a policy of helpless drift, to deeper

and deeper recession. We don't have to resign ourselves to a policy which produces rising unemployment and sky-high interest rates and still has rising inflation. I can't accept that we are helpless and that we cannot, indeed we dare not, get this country moving again, that we dare not create jobs and build homes and dig mines and make cars because to do so would exacerbate inflation. Canadians, I believe, can use the great potential of this rich country to create jobs and wealth for citizens young and old, but we are denying Canadians that opportunity.

If we are to accept, which I do not, the current federal interest rate policy, the general interest rate policy, it is still my view that we ought to turn to providing special assistance for some of the victims of that policy, people who are rolling over their mortgages, people who are trying to build new houses at sky-high mortgage rates, farmers and small businessmen who are having great difficulty financing their current operations.

It is my further view that we have to give special attention to some of the major projects which we should be getting going in Canada if we are to have the bright future which I think is the lot of Canadians if we manage our affairs properly.

True, we may be forced, given the current policies, to have high interest rates in the short term, but must we conclude from that that we are going to have high interest rates for 25 years or 50 years, and must the people who are making their

decisions on whether they build a power dam which is going to last for 50 years, do it on the assumption that we are going to have high interest rates for 50 years? If so, we are not going to build many major projects and Canadians are going to lose a great opportunity, so I put forward again the proposal that we will have to provide or consider providing long-term capital at something less, something significantly less than the current high short-term interest rates.

Let me make a third point and pick up on what Premier Lougheed said. There have been some suggestions for the need for some controls on wages and salaries and I didn't hear any corresponding suggestions for effective controls on prices; and indeed I heard a denial of our ability to control interest rates and I would be unwilling to consider controls which would apply to wages and salaries but not to interest rates and not effectively to prices.

Turning now to federal-provincial fiscal arrangements, I think here too we lost an opportunity. When, Mr. Prime Minister, you announced the current agreement in December of 1976, the one which is just expiring, you told the reporters, and I quote:

"If you want to discover the essence of a federation, you should look to its financial arrangements."

and I couldn't agree more. If you wanted to discover the essence of a federation, look to its financial arrangements and if you want to discover the essence of which direction the federation is going, then you look to the changes in those financial arrangements. In fact, the principle of equalization which is at the

very foundation of Canada's fiscal arrangements-- we are about to enshrine that as part of our constitution, but I suggest to you, Mr. Prime Minister, that the federal government is taking steps to strip the principle of some of its muscle and some of its substance.

At the same time, there is a move by the federal government, in a rather major way, to reduce its contributions to finance hospitals and medical care and universities and technical institutes. Let us just think what that means. The federal government says that these drastic cut-backs will help improve its budget deficit and that is true, but who will make up the difference? As the Economic Council of Canada made clear a few of weeks ago, the difference will be made up by the provinces, by at least those who can afford it. The federal deficit will simply be shifted from one level of government to another.

Now, some Canadians may well say, "Well, it doesn't matter much to me which government bears the brunt of these costs, because I pay taxes to both of them," but it is not quite that simple. If the federal government pulls out from its responsibilities for financing hospitals and medical care, universities, technical institutes, withdraws from some of that responsibility, some provinces will find it relatively easy to pick up the slack, some will find it next to impossible to pick up the slack, and in some provinces hospitals and universities will go on approximately as before. In some, hospitals and universities

may well have to be closed or their programs savaged. Would we then not have one level of health care and higher education in one province and a much lower level in another?

That surely is undesirable.

In our recent constitutional talks we talked a good deal about mobility and the desirability of having Canadians being able to move from one part of Canada to another and I underline that and endorse that. Saskatchewan people are great movers and you will find ex-Saskatchewanites in virtually every part of Canada. One of the things that makes the talk of mobility something real, something real for the ordinary citizen, is that if he moves from one province to another he has available to him more or less equal services of medical care and hospitals and universities and the like, and when we cut down that equality, we cut down mobility and we cut down in some sense, the essence of being Canadian.

We will have to ask ourselves whether, if more of these costs are financed by provinces and less by the federal government if we have added to the equality of services available across Canada or we have taken it away. Have we added to educational opportunities or have we undercut them a bit and I think the answer is that we have not added to them and we in fact have undercut them in some areas very slightly and in some perhaps more than slightly.

So, Mr. Prime Minister, we came here with an opportunity to change the direction of

Canadian economic policy and we have not succeeded. We came here with the opportunity to agree on new federal-provincial arrangements for financing of important social programs, important for all Canadians, like hospitals and medical care and universities and once again we did not succeed.

This conference presented First Ministers with important opportunities which we have not seized. So I am disappointed, as I said at the outset, but in spite of the lack of progress I see some reason for optimism. You may ask me why. It is basically the same reason already articulated by Premier Lougheed, because now Canadian people know that there is an alternative economic policy for Canada. They have heard the Premiers present it. It is a policy of lower and stable interest rates coupled with a commitment to the kind of investment which will get this economy moving again. It is a policy which, I think, speaks to our future rather than allows us to drift in the present with our eyes in the past. It is a policy which shows confidence in Canada and Canadians and I think it is a better approach. I now believe that Canadians know this and I predict that Canadians in the weeks and months to come, will talk about this. They will talk about it to their provincial politicians and, sir, they will talk about it to their federal politicians as well.

Thank you, Mr. Prime Minister.

THE CHAIRMAN: Thank you, Premier Blakeney. Premier Lee of Prince Edward Island.

HON. JAMES LEE: Mr. Prime Minister and fellow Premiers, there are a few things that I would like to comment on as this conference draws to a close.

First of all, let me say that I consider this conference to be disappointing, but I feel worthwhile. Worthwhile mainly because I have a basic belief in the necessity of consultation between the two levels of government in a federation such as Canada. Therefore, I support this type of forum, this type of conference.

I understand the necessity of the federal government providing the basic balance between competing regions and provinces, but on the other hand there are occasions when the provinces are virtually unanimous. This was the situation this week on the subject of the impact of the federal government's monetary policy on our economy and on our citizens, and it should be the time, Mr. Prime Minister, for the federal government to say, "Okay, let us reassess that decision."

After hearing from the 10 provinces, maybe there are other ways of accomplishing the same end without ruining those people who made investment decisions based on previous interest rates that were established some time ago.

It is this inflexibility of national policy that concerned me when I came here and probably frustrates me as I leave. It is not only the decision not to reconcile that bothers me, but the inflexibility of some programs in general. I am concerned that a policy that causes a slight recession in the stronger provinces could have serious repercussions on Prince Edward Island's economy. I have become even more aware in the past few days of the substantial differences in wealth across this nation and the strengths of the various economies. Our economy is fragile. It cannot easily withstand the rough handling imposed upon it by the federal system.

I would like to compare it probably to the postal system that does not differentiate sometimes between a parcel containing a fragile cut-glass article probably and probably Wayne Gretzky's duffle bag. In my opening remarks I outlined something of the unique characteristics of our province. We want to develop a more productive economy, one less dependent on the federal government. In order to do that I remind the federal government of our two main problems, namely: electricity and transportation. First, our electrical energy costs are twice those of our neighbouring provinces, three times those of other Canadians. We ask for equity so that our existing industries can have a more competitive position on Prince Edward Island. Also that our homeowners, who have a per capita income of 70 per cent of the Canadian average, are not spending three times as much on electricity.

Secondly, I would ask that you not force upon us a transportation policy without giving us the opportunity to assess it and have meaningful dialogue with you on the effects that this will have on our economy. I am not so unreasonable to expect overnight relief from some of these problems, but I do hope though that we

can start working on improving this situation immediately. Only continuous goodwill by all levels of government will assure the viability of our nation. I have said in my own province that I support, in conjunction with the ten provinces, a strong federal government. This is essential because of the two levels of government which are in effect the system of checks and balances necessary to make a political system work. I expressed my concern that the new government's reorganization which changed DREE to DRIE was born at a time when the federal government was moving from a system of joint programs to one of delivering programs unilaterally. I have been assured by federal ministers that there would be, and I quote, "consultation and cooperation." While this has been said, Mr. Prime Minister, to me I received an Island newspaper which informed me that the Minister responsible for tourism and small businesses in the federal system came into our province and announced programs to be delivered unilaterally for Prince Edward Islanders in both of his areas without any prior consultation with our government. Mr. Prime Minister, there is no such thing as attitudes; there is only behaviour. That behaviour is not healthy in our nation.

We recognize the potential benefits of the investments in Prince Edward Island. On the other hand, we feel that we have expertise and knowledge that could improve the programs for our mutual citizens. We could also work our programs to have a better effect on our economy. As to the federal government's announced intention to deliver its programs unilaterally in order to gain more federal exposure and more federal credits, it must be said that I believe this is to be a mistake, particularly at this time of high unemployment. Under our comprehensive development plan, the federal government recently announced that it was going to deliver a lot of programs directly, even though the province had the employees and the infrastructure in place to carry out these programs. As a result it was necessary for my

province to terminate the employment of approximately 160 employees. The federal government indicated that a lot of these employees would be absorbed or picked up by the federal government. I regret to say that this as yet has not happened and that most of these employees are still unemployed. For the sake of exposure or credits for the federal politicians a lot of hardship has been created and it appears that this new policy is going to be continued and possibly more hardship will be created. I urge the federal government, Mr. Prime Minister, to reconsider your approach.

I will conclude by urging governments to realize that there is an urgency to the need for a solution. People are losing their homes. Businessmen are losing their businesses and, worse than that, their dreams and their aspirations are shot. I submit that our economy, our problems, are causing severe social stresses. These social stresses have long implications. It is a known fact that unemployment and uncertainty lead to problems such as family breakdown and alcoholism. We have a responsibility to act now while we plan for the future. Mr. Prime Minister, there is an urgency to our concerns. Plans are needed for the future. Thank you.

THE CHAIRMAN: Thank you, Premier Lee. Premier Bennett of British Columbia.

HON. WILLIAM BENNETT: Thank you, Prime Minister, Premiers. Tuesday when I came to this conference, Prime Minister, I stated, in my opening remarks, my goal at this conference was to try to work to get to Canada's economy moving again. In one sense, Mr. Prime Minister, I am disappointed with the results, for we have signed no agreements, we have released no firm plan that would offer to our people a range of solutions to their practical everyday concerns. For I believe a comprehensive plan would be an alternative to the programs that we have in place today and would be something for the people

to believe in who want government to provide the type of leadership that they can believe in. Given that leadership the people of our country, all twenty-four million, are willing to rally behind and accept some restraints for all, rather than, daily, thousands more accepting that restraint in a more real way by losing their jobs or losing their businesses or losing their farms or having that threat hanging over their heads. Our people are hurting and they are hurting from high interest rates, double-digit inflation and record high levels of unemployment. We are frustrated. I think our people are frustrated because they see no evidence of national leadership and they see no apparent solutions.

Now I had hoped, Prime Minister, that as governments we would be able to agree on specific measures, measures that would lower interest rates and lower inflation and bring about job-creating investments to strengthen our dollar and get our people back to work. But, in another sense, it is useful that we have met, for we have had extensive discussion of both the challenges and the opportunities that face us and there have been, in my view, some areas in which there has been a considerable degree of consensus on future directions that would benefit our country. I sense that we have all come to appreciate that there may be no magical, quick-fix solutions, but there are alternatives to the current high interest rate policy of the government which is proving to be both ineffective and damaging.

Prime Minister, your own Governor of the Bank of Canada, Mr. Bouey, indicated that there are alternatives. At the same time he indicated that the decision to pursue alternative policy lies not with the Governor of the Bank of Canada, but with governments, both federal and provincial. Over the course of the past few days, Prime Minister, I have put forward concrete measures that in my view and my advisors' could go a long

way towards improving the Canadian economy. It would allow you to abandon your high interest rate policy and ensure that together we get our people back on the job. Our interest rates are high because inflation is high and our dollar is weak and our dollar is weak because we have been living beyond our means. I have stated time after time that a four-pronged attack is necessary if we are going to defeat high interest rates and inflation and if we are going to get back on a path of sustained job-creating growth in our economy.

Now, first, we must control government spending at all levels with a goal in mind to reduce and eventually eliminate borrowing to finance operating deficits. All governments must pursue this course of action and that will be difficult. Borrowing to finance operating deficits spurs inflation. It crowds the private sector and it raises interest rates. I have said that it is far better we get a comprehensive plan that included restraints on government and the cost of government because I felt, with that as part of the other parts of the plan I will outline and have outlined, that all Canadians might feel comfortable with that sort of plan, pulling in their belt one notch so that this country could continue to grow and people could continue to work. The alternative we are facing is that everybody will eventually be pulling in their belt one notch but for thousands, now over 100,000 and perhaps more, they are being asked to pull in their belts five or six notches. I feel it would be far better to have a plan where everybody participated, no matter how difficult, and this is where governments have to show some leadership, rather than for some to pay a very, very extreme penalty that doesn't end just with interest rates finally coming down or the economy getting indicators that say they are moving up. For them the cost of unemployment or losing a home or a farm or what have you stays with them for many, many

years. That is a human cost and should not be forgotten by any member, any premier, any prime minister, none of us, that if we are fearful to put in government restraints because of short-term political consequences part of our action in failing to do that is going to be those large numbers of people in the thousands paying a more severe penalty than they should have to pay.

Secondly, Prime Minister, we must increase our exports by enhancing our international competitiveness and by removing bottlenecks such as those afflicting the western rail transportation system that are preventing us from reaping full benefit from our natural resources and the advantages that they bring us. We must earn our way in a tough by conquerable international marketplace and acknowledge that we cannot shelter ourselves from outside forces.

I think Premier Lougheed has said the same thing when he said, "Let us increase by trade our balance of payments", and he suggested we can start with some of that locked-in gas that is in Alberta and British Columbia to bring those sort of dollars into our economy and also -- also to restore the activity in searching for additional gas reserves that has almost ceased since the gas has been locked in and the national energy plan was introduced.

Let us agree then to increase the flow of capital into our country and to strengthen our dollar by aggressively increasing these exports rather than by maintaining artificially high interest rates which, as I said, are hurting people but are in themselves inflationary.

Third, we must convey a more hospitable attitude towards investment, increase our domestic savings and improve that climate for that investment. Let us agree to attract not only our own capital but outside capital that brings with it, not only investment and jobs but markets for our goods rather than by maintaining usurious interest rates.

Let us above all, agree to increase

our own levels of savings and to give Canadians -- Canadians as individuals -- an ownership stake in their country. As an immediate one-time measure I have put forward the idea of a federal-provincial development bond, not as a permanent feature, but as something to get the economy moving now. It is a tax-free savings bond that would raise substantially lower-priced money to be put to work now at prices that business and industry in a job-creating way can afford.

I suggested the bond have the flexibility of having been a joint bond tailored by program and amount and price to each province of this country and be done jointly with that provincial government. That is a way to harness our own savings and give the people a chance to play a part in a very positive way of helping to build their country and create the jobs with their savings.

Fourthly, we must undertake immediately Prime Minister, large scale job-creating investments in all parts of the country to stimulate employment for our people. In the process we must build on our strength and strengthen those sectors that have the goods, that have the services that are in demand in international markets.

Prime Minister, your document "Economic Development for Canada in the 1980s" contains much with which British Columbia can agree; particularly its focus on transportation, manpower training, resource and regional development are supported by British Columbia and they are crucial to the prosperity, not only of our province but I believe, of our country.

Let us now, when we are co-operating in that area, get down to specifics such as new areas, areas such as our offshore resources and get on with co-ordinated development in those areas where we have not the agreement nor the --- to allow this to happen. For whatever our differences as governments, we have more in common with each other, Prime Minister. Our people are skilled and energetic, our country is enormously rich in resources and that is our common heritage. Our future prospects are unequalled if we can overcome the current difficulties, which if we take the appropriate action and policies will only be a passing phase through which Canadians must pass on their way to greater growth.

Therefore, although we have not signed any agreements Prime Minister, or reached any firm commitments, we have at least had frank discussions and have exchanged some many hard truths. In the coming months we will all have an opportunity to evaluate the current policies and consider refinements and changes in direction. Action is required urgently to ease our current difficulties and to prevent any further deterioration. Sustained economic growth is absolutely essential, if governments are to continue to provide a broad range of social services that all politicians brag about come election time.

I made several proposals in this direction and certain of these can be pursued by my government, others can be implemented bilaterally, while the remainder may have to wait for another day. Perhaps you may wonder why none of my Cabinet Ministers

are with me tonight, outside of plane schedules -- it is hard to get to the west coast of our country--I consider it so important that because this conference has not come to firm conclusions, that I have instructed my Ministers to get back, meet tomorrow in session in Cabinet to deal with many of the issues as a government that owes a responsibility to tackle those issues immediately that I had hoped we could agree on.

Prime Minister, with all of our opportunities, these challenges become challenges worth facing and fighting and correcting. I am confident that wisdom and leadership do exist in our country and that we can get our country moving again and we can restore to our people a sense of confidence in the future of our Canada.

Thank you.

THE CHAIRMAN: Thank you, Premier Bennett.

I now call on Premier Pawley of Manitoba.

HON. HOWARD PAWLEY: Mr. Chairman, the topic of discussion at this Conference which has been of the greatest and most immediate interest to the public is monetary policy and particularly the question of high interest rates.

In Canada, there are farmers who doubt their ability to pay the high costs of interest and capital and operating loans and still make ends meet. There are businesses that have been struggling to survive from month to month, cutting back their inventory to try and reduce interest payments.

There are homeowners who are certain

that they will not be able to keep their homes until after -- after the next mortgage renewal. These people look to this conference for some hope that interest rates would be reduced. They will be disappointed and I am disappointed because we were unable to reach a consensus or to convince our federal government that its monetary position should be changed.

However, I am also leaving with some sense of encouragement. Manitoba came here and discovered that every other provincial government either doubts Canada's monetary policy or agrees that it should be changed. Clearly that sentiment reflects the wishes of a large majority of Canadians. Your government is responsible for monetary policy and I appreciate that the policy cannot be changed in direct response to every shift in public opinion. Yet I urge you again to look again at the proposals that were made by the various provinces and ask whether the public might be right about the comparative advantages of low interest rates in Canada.

Manitoba's pledge of support for such action, including a lower dollar and a review of large Canadian investments outside the country still stands. These alternatives deserve your full consideration and I hope they will receive that consideration in the weeks that lie ahead.

I also hope that future changes in monetary policy will include full consultation on the uneven regional impact of such changes. For example, it seems clear that the policy of tight money, high interest rates have made some areas of Canada comparatively worse off than other areas.

Manitoba's many small businesses and thus our entire economy have been hit particularly hard. Unlike large corporations, small businesses cannot withstand a prolonged period of high interest rates. Surely it is now clear that there must be full consultation on a package of programs to balance the damage done to certain regions of Canada when monetary policy is changed.

On economic development, we share the view of the federal government that the long-term outlook for Canada's economy indeed is right. We hope that the federal government's economic strategy will focus on those investments which will allow our economic potential to be realized. In Manitoba effective economic development must take into account the major role of small and medium-sized businesses, the need to provide meaningful opportunities for native people in our north, and training and jobs in pockets of high unemployment, in areas like the core area of the City of Winnipeg. Provincial and federal economic action which ignores these realities runs the risk of failing to meet its objectives. Manitoba intends to pursue major resource development projects in the energy field, in forestry, in the mineral sector and we believe that further development of the hydro-electric capacity of the Nelson River will benefit not only Manitoba, not only western Canada, but the entire Canadian economy for many generations to come.

Revitalization of Manitoba's pulp and paper industry will benefit the national economy and improve our export performance. Investment now in Manitoba's minerals, i oil, its gas can secure the future of the best possible base for a strong and more independent Canadian economy. We look to the Government of Canada as well as to the private sector with regard to each of these projects. We seek a partner in development and the federal government is an appropriate partner in investments which allow both provinces and the nation to better realize a sound economic future. Overall our approach to economic development will be an investment-based approach. I note with interest the proposal of the Canadian Public Investment Fund by my colleague the Premier of Saskatchewan and we share his conviction that investment is central to our future economic development. In our mixed economy both public and private investment are essential. A public investment fund is a worthy national cooperative instrument to be studied and to be pursued.

We also look to Ottawa for national economic leadership on issues such as beef and hog income stabilization where provinces are ill-equipped to act alone. The absence of federal action can create some of the barriers which are criticized in the federal strategy paper.

We look forward to grappling with the crucial western issue of investment in our rail transportation system at the Grain Summit meeting in Regina. We continue to make progress on the long-term economic development issues confronting Canada. We must continue to make progress if we are to escape the severe short-term problems of the economy and to achieve our future potential. Coordinated federal and provincial action to strengthen the structure and performance of our nation is the best method we have to move forward to full employment, more stable prices and the other goals that the

Canadian people have set for us. The end of this conference should signal a start for that coordination and progress.

Fiscal arrangements: Mr. Chairman, your government announced on November 12th changes in the fiscal arrangements which will mean a substantial decrease in the equalization payments to Manitoba plus cuts in the established program of funding money for health and post-secondary education. The present Manitoba government took office almost three weeks later.

Mr. Chairman, we do believe in cooperative federalism and we believe that it is the best road for Canadians. For that reason we look to the principle which will soon be entrenched in the constitution "reasonably comparable levels of public services at reasonably competent levels of taxation." The constitution will also commit the governments to pursuing equal opportunities for the well-being of Canadians and furthering economic development to reduce disparity in opportunities; but there can be little doubt the federal proposals would worsen the imbalances among provinces and regions and make it even harder for less wealthy provinces to proceed with needed development initiatives.

Today I have no doubt that the federal proposals are a backward step from those principles and that is indeed a matter of much regret for Manitoba.

During the past three days the provincial finance ministers struggled and achieved agreement to a one-year proposal to extend the current system. Some provinces made sacrifices to achieve that compromise and I congratulate them. Mr. Chairman, unfortunately, the federal government was unable to accommodate the joint provincial position but finance ministers are still meeting and we are hopeful that some progress will yet be achieved. Equalization is a central institution of Canadian federalism. I hope that the federal government will not allow it to be eroded. The result of our deliberations must be indeed in its strengthening. I hope indeed that we can still be

successful.

Mr. Chairman, it will be easy to say that this conference produced nothing, that all progress was blocked, but I do not believe that this is a correct view. We understand each other's views. The exchange of ideas, the pressure and the counter-pressure are bound to influence each government around this table. Let us leave here with the view that this was part of the process and with a commitment to make that process work in the future. The great potential of Canada demands that commitment from us.

THE CHAIRMAN: Thank you, Premier Pawley. Premier Hatfield of New Brunswick.

HON. RICHARD HATFIELD: Thank you, Mr. Prime Minister. I want to start off by saying I feel an awful lot better about this conference now that it is over than I did when we began. I think that the Canadian people should know that real problems they are having were seriously discussed and debated here by their Premiers and by the Prime Minister and by Ministers. I think they should know that there was agreement -- there were agreements on certain courses of action that are, in fact, going to, in my view, benefit the Canadian economy. I think that there was a recognition of the fact that -- an acceptance of the fact, due in part to the explanations given by the Prime Minister and Ministers, of some explanations given as to why there must be a policy of restraint in our country.

I feel good about this conference because I believe that out of the discussions there is a new sense of reality of the Canadian economy. There is an appreciation of its great potential and there is an appreciation of its weakness. I feel good because, Mr. Prime Minister, I have lived many, many months with the label that "Hatfield supports Trudeau." They tell me that yesterday's newspapers in New Brunswick carried a

headline "Hatfield is the only Premier who supports Trudeau's interest rate policy." So I feel good about this conference, Mr. Prime Minister, and maybe you will share my view that at least I won't have to live with that any longer, as I will make clear.

Mr. Prime Minister, when the proposals were made with regard to lowering the interest rate and I agree with the Premier of Alberta that the response to them perhaps was a little too narrow, but when the response came from the Minister of Finance and from the Governor of the Bank of Canada, I must say that I was convinced and impressed by his response to the -- his concern about the effect it would have on lowering the value of the Canadian dollar. When I listened to his arguments I thought he was right and I said so. I didn't mean that I still thought the policy of high interest rates was correct. As a result of the statement I made supporting Mr. Bouey's concern about high interest affecting the Canadian dollar a number of people came to me with suggestions. One of the things that was pointed out to me was that the Bank of Canada is, in fact, following a much tighter monetary policy than their own guidelines announced in February of 1981. At that time they said the basic money supply should grow between four and eight per cent and since that time it has never grown more than three and a half per cent; so, using the Bank of Canada's own guideline, they can increase the basic money supply two or three more percentage points and still be within their guidelines, not in any way devalue the Canadian dollar and it would in fact, in my view, bring down interest rates a point or a point -- one or one and a half per cent. That would be a signal to the people of this country that we are starting, we are starting back and I think it would have a lot of impact and it would be very good impact.

I also said at the time that you, the Minister of Finance, Mr. MacEachen announced a major budget, we were singled out, at that time, as being one

province that was not that critical of it. We weren't that critical for two reasons. One is that we recognized -- I think my Minister of Finance said so -- we recognize that there had to be some restraint in government expenditure.

The second reason we were not critical was we were prepared to take you and your government at your word that you would negotiate equalization and established program financing. I want to thank, at this point, my Minister of Finance and his Ministry for the work that they did put in along with the other provinces at the many conferences that were held that led up to this conference. But the fact of the matter is that we have now come to the point, and I feel good about this, we have now come to the point where we are left with the position that the Prime Minister and his government will review the possibility of not reducing as severely the growth of expenditures for equalization and established program financing.

I feel good about this conference too because it was put across to all of us loud and clear why you, the federal government, why you went so far in your policy of restraint. One reason was to fight inflation and that is a good and justifiable reason, but you made it very clear you had another reason and the other reason was that you wanted to build up political credit. You wanted to have more money for the federal government that would be spent exclusively by the federal government in the provinces on projects that the federal government thought were in the best interests of the province or the country. Well, I want to tell you, Mr. Prime Minister, this is where you and I depart and I will tell you why. On the constitution I thought you had a political winner. When you start a policy of fiscal restraint, a policy of restraining the demands of the people of this country for services such as health, such as education, such as higher education, such as job development, when you start a policy -- when you initiate a policy that is severe in

its impact on the provinces' ability to provide services to people so that you can get more credit for yourselves and the federal government and so on and so forth, I want to tell you you have got a political loser and I am not backing political losers these days.

I want to say, Mr. Prime Minister, there has been a great deal of discussion. I think it has been useful and I am not at all prepared to concede that it was time wasted because I think we have made points but apparently we have still got to make those points. Everytime, we have got into a political argument in New Brunswick about whether or not we were spending federal money properly, it has been investigated and, on every occasion, the decision has been that the government of New Brunswick is in fact spending the money properly on proper programs for the people of New Brunswick. And the most recent one, and the one that impressed me very much was the Parliamentary Task Force chaired by the member from Gloucester, New Brunswick. He pointed out, and it was a unanimous report, he pointed out that the Atlantic provinces, the Maritime provinces have been spending their money on essential services, but they needed more money because the services were not adequate. And so you are going out with a policy of excessive restraint, in my opinion, and you are going to ask for credit and it is going to mean, instead of us getting more money to meet the more important needs in our region of Canada, we are going to get not enough to keep pace and you are going to get the credit. You are going to get the credit, and I will make sure you get the credit. I will make sure you get the credit. I will make sure that it is understood that the monies that come from Ottawa, it is explained how they are spent, and I will make sure that it is understood why we can't spend more and I'll use your own figures to demonstrate it.

I say also that you have been excessive in your restraint policy by your own standards, because in 1980 the Minister of Finance said that he had to save, in the interest of fighting inflation, \$1.5 billion, and that it would come out of the social envelope.

My information is, over the next two years, you are now in fact going to be saving \$3.66 billion out of the social envelope.

Mr. Prime Minister, you said that as politicians we are never satisfied. You say we never get enough, and I want to tell you that that probably is true. But, by your own guidelines, you are extracting too much and it is going to result in very serious consequences, in my opinion, for the people living in New Brunswick. It is going to make it tough for the government of New Brunswick in preparing their budget, but I think that because of the way we have -- the way we have managed things up to now and because of the experience we have had that we will be able to deliver -- still be able to deliver a pretty good standard of service. And where that money for those services -- where in fact that money comes from Ottawa, the people in New Brunswick will know it.

Mr. Prime Minister, where you build up your fund -- when the federal government builds up its fund and decides to spend it on this project or that project, I too, will see to it that you get credit for it, regardless where you do it in Canada and I will remind the people of New Brunswick,

I will remind the people of New Brunswick that that was why we had to reduce our improvements, why we could not do what should have been done in whatever area, because the federal government wanted and needed money for political credit to provide something somewhere else. Maybe it would be something in New Brunswick. If it is in New Brunswick you will get the credit. You will get the credit.

The Minister of Fisheries from New Brunswick has made at least one, and I think two, very, very significant contributions to one of our universities in New Brunswick and he got the credit for it and he deserves the credit for it because I am sure it would not have happened if he had not seen to it. But -- I have no objection to that -- but, Mr. Prime Minister, you can't sell this policy of severe, overly severe fiscal restraint, especially in the areas of equalization and established program financing unless you can make the people believe that the sacrifice is being made in the interests of the national economy and in the interests of the people, not in the interests of political selfishness.

Mr. Prime Minister, I want to say that I am not going to let anything that has been said here, I am not going to let the fact that we didn't succeed in convincing you to do certain things, discourage me in any way. I said before, and I will continue to say, working together with the federal government we have accomplished a great deal and if

we continue to work together, we will accomplish a great deal more for the people of New Brunswick. And believe me, the people of New Brunswick know where the money comes from, they know that the taxpayers of New Brunswick don't put up all the money for the bridges and the hospitals and the schools. Why? One of the reasons why was because I had to defend my support of equalization being entrenched in the constitution and I took advantage of almost every school opening to be there to make one point, that the school, many of them very, very good schools with very, very expensive facilities as the kids of New Brunswick deserve, just like the kids in other parts of Canada deserve, the reason it was there was because of equalization and it was because not that they were New Brunswickers but because they were Canadians.

I think, Mr. Prime Minister, you are getting very close to tampering with that sense that Canadians have that we are a special country because we do really share and we do believe in sharing. There has been a long history of it.

I want to tell you, I feel good about this conference now that it is over, because we went through the constitutional debate and there were a lot of problems and a lot of disagreements but I want to say, Mr. Prime Minister, and I think

you will agree, that all of the people around -- all of the delegates to this conference really came together to try and solve a problem in Canada and I think the Canadian people should know that. I think the Canadian people should know that we were quite prepared and quite willing to work together to bring about the recovery of this country and realize the real potential of this country.

So, I want to end by saying that I feel good and I feel very confident about the future. I feel very confident about the future because I believe that I understand this country and I know this country as well as anyone; and I believe that the mistake that you are making, Mr. Prime Minister, a political mistake you are making will not be supported by the Canadian people and, therefore, that political mistake will become a model that I trust that future Prime Ministers will never repeat; and never try -- and they will never try to tamper especially with the equalization program or the other programs, the shared-cost programs in this country for partisan reasons.

I also feel confident about this country because I think we are going to have some tough times. I got another setback today in New Brunswick that over 130 people were laid off because of a decline in business, CN Rail. It is going to be tough. It is going to be discouraging, but I have confidence in the great wealth of this country and I, especially, have confidence in the great strength, the great kind of moral strength and the determination that exists among Canadians

to work these problems out and to look forward to the day when they can really enjoy as they deserve, really enjoy the benefits of the great potential of this country.

Thank you, Mr. Prime Minister.

THE CHAIRMAN: Thank you very much, Premier Hatfield. Premier Buchanan.

HON. JOHN BUCHANAN: Mr. Prime Minister, fellow Premiers, I first sat around this table in November, 1978, at a conference similar to this, an economic conference and when it ended I felt very good about it. As Premier Lougheed said, we had a measure of success. I don't feel that good about this conference, Mr. Prime Minister, and the unfortunate thing is that this conference is probably much more important than that 1978 conference, because this conference is held at a time when the economy of Canada is probably in worse shape than it has been in the past 30 years and it is held at a time when people are hurting.

When I mention people, I am talking about the disabled, I am talking about people on fixed income, I am talking about young people who are coming out of high schools, trade schools, vocational schools, universities, technical schools: I am talking about the unemployed. I am talking about the small businessman who is reeling from high interest rates, homeowners who are having mortgage renewals and interest rates in the area of 18.5 and 20 per cent. Those are the people who are hurting right now and that is what this conference was supposed to be all about, so that collectively we could try to do something about it.

Well I would be less than honest if I didn't tell you that I am very disappointed. Like Premier Lougheed I am disappointed, I am discouraged and like Premier Hatfield, I think this country is strong and it will stand up to what we are going through at the present time. It is unfortunate we have to go through it though because there are a lot of people hurting and that is important to me.

I am disappointed that the federal government has not been impressed, probably not at all impressed, by our arguments that for five years you have had a monetary policy that obviously isn't working because, as I understand it, a high interest rate policy is supposed to curb inflation. Well, it hasn't done much of a job of curbing inflation because inflation is now running around 12.8 to 13 per cent. I have always learned that when something isn't working after a period of five years you try something else. Now I think we have put on the table quite a few alternatives to a high interest policy but unfortunately the federal government is not prepared, at this time, to accept any of those alternatives and that is unfortunate for the people of Canada and it is unfortunate for the unemployed of Canada. It is unfortunate for the people on fixed income and all the others I have mentioned because the people of Canada are the losers as a result of the fact that a policy, a monetary policy has not been working for five years and is causing some very serious problems and we have more unemployed every day of the week. Today's "Globe and Mail" certainly wasn't very heartening, the prediction of another 175,000 unemployed and probably more than that.

In the interest of pursuing this high interest rate policy I am told that one of the reasons is to curb inflation and the other reason is to protect the Canadian dollar so that the Canadian dollar won't drop. We are told that if the Canadian dollar drops another five or eight cents that will mean inflation will be driven up another three per cent. I wonder if the converse holds true. I should have asked Governor Bouey. I think somebody meant to but we didn't get around to it. If the Canadian dollar jumped up eight per cent does that mean inflation drops to ten per cent? I am no economist. I was treated to an economic exercise yesterday, but I don't believe that would happen. Really, you know, what is so wrong with the Canadian dollar dropping a bit? I

don't really think it would happen that drastically, but what is wrong with it? In Nova Scotia, for instance, the drop of the Canadian dollar has been pretty good. Our fishermen aren't too unhappy about it. More fish is being sold. Our pulp and paper industry is certainly not unhappy about it. They are getting more money for it and the people are getting it and the people who work in the pulp and paper plants, the lumber industry isn't suffering. Premier Lougheed mentioned yesterday we drink more apple juice than Florida orange juice. His problem was he said B.C. and that is okay with me. That is the west coast. I just hope the apple juice that will be replacing Florida orange juice as the Canadian dollar drops if you accept the policy of lower interest rates, that half of the country will drink Nova Scotia apple juice from the Annapolis Valley and the other half from B.C. That is fair. Quebec also, I am sorry. I have started something now. Seriously, Mr. Prime Minister, I would prefer to have the dollar drop again than have more than a million Canadians unemployed and I think the people of Canada would agree with that proposition. I know Nova Scotians would agree with that proposition. What are the alternatives? Well, one alternative was to lower interest rates, let the dollar drop if that is what is going to happen, let's encourage more Canadian investment, let's encourage more foreign investment, let's not put disincentives to investment in this country. So let's spur Canadians by lowering interest rates, the small businessman to more production, more productivity. Let's create more jobs by doing that and let's get the country rolling again and I think it would work. It is worth a try if you have tried your policy for five years and it hasn't worked so let's try something else. So I think we should accept from the federal government who have the responsibility for monetary policy, I think you should accept another policy and see if it will work. Now I am really concerned

as others around this table are with the imminent cutbacks in the shared cost programs. You know, as we sat around this table last fall, we all talked about renewed federalism and we were all kind of buoyed up by this renewed federalism and our constitution coming home and equalization being enshrined, shared programs being enshrined, becoming not just a way of life in Canada as they have been for years but be part of the constitution. We were all very proud of that. Well, I don't know about it now. I really wonder because obviously there are going to be changes in the game, in the -- changes in the rules in the middle of the game of equalization, shared-cost programs; and obviously the federal government, by cutting back on its responsibility to equalized health care and educational facilities throughout this country, we will then have what I would term as a good, better, best system of health care, health services and education throughout this country. That wasn't the reason for it in the first place. The reason for the shared-cost programs and the formula was to try, to the best of our ability, to ensure that all Canadians had the best possible medical care whether you lived in B.C. or lived in Newfoundland; that we had the best educational facilities whether you lived in B.C. or Newfoundland or anywhere in between. That was the reason for the formula and for the cost-shared programs, so Canadians would be all treated equally. Well, obviously, we are going to have what you called last fall a checkerboard Canada now as far as medical care and health services and education are concerned. I, for one, don't buy that. I was proud to say that Canadians are treated equally with medical care and educational facilities. Even down in the States you can tell them that here in Canada we have that kind of equalized health care services. I want to ask you who will take the credit as Premier Hatfield said, who is going to take the credit for cutbacks or the curtailment of

services or lowering of medical services in Nova Scotia or the lowering of services in university education? You know, it is a two-way street. There aren't any political losers or political winners here but people. The people are the losers, not the politicians. The people are going to be around whether we are here or not, whether we are kicked out of office or we stay in office. They are the ones who are the losers. I don't go for this business of political credits or high profile when you talk about such things as health care and education. Changes in the equalization formula also are of a great concern because, for a province like Nova Scotia, a cutback in equalization is going to be very, very serious as my Minister of Finance would indicate and has indicated throughout this conference. We were enshrining it in the constitution. It is over in England now being enshrined in the constitution but here it is, even before it comes home, we are changing the rules in the middle of the game.

Now, Mr. Prime Minister, it hasn't been all bad. I was encouraged, as I think a lot of other Premiers were encouraged, by the explanation given by Senator Olson and by the Minister Gray on your new economic development program for regional expansion throughout Canada and I was guaranteed, as the others were, by Senator Olson, by yourself and by Minister Gray that these programs would indeed be regional expansion programs and that they would be programs of a federal-provincial nature, possibly a profile here and a profile there but coordinated and co-operative efforts. We are going to be watching very carefully as the new program evolves to ensure that the cooperation we have been guaranteed and the coordination we were guaranteed from the very beginning of each of these projects and resource industries, that it in effect will be manifested in the kind of action that Senator Olson and I discussed this morning on television. I

think it will. I think it can work, if we decide we are going to cooperate and work together. So, Mr. Prime Minister I am disappointed but I am not discouraged because this country is too strong for any of us.

THE CHAIRMAN: Thank you, Premier Buchanan.

A SPEAKER: The land is strong.

LE PRESIDENT: Je donne maintenant la parole au Premier ministre Lévesque du Québec.

L'Hon. RENE LEVESQUE: Messieurs et mes chers concitoyens et concitoyennes du Québec, parce que c'est normalement à vous essentiellement qu'on doit s'adresser, on était arrivés ici, on l'a pas caché, il y a trois jours, avec très peu d'illusions et beaucoup d'appréhension. On avait d'ailleurs été avertis d'avance par les porte-parole d'Ottawa, qu'on pouvait s'attendre à rien de concret. Malgré quatre ans d'attente avant d'avoir cette nouvelle conférence sur l'économie, cette consultation comme on a prétendu l'appeler, qu'il n'y avait rien de concret, que pas de décision serait prise. Autrement dit que les politiques unilatéralement dessinées ici, à Ottawa, étaient et allaient demeurer coulées dans le ciment.

Seulement, les résultats de ces politiques sont de plus en plus évidemment tellement cruelles et proprement inhumains, qu'on se disait que c'était pas possible que ça paraisse, pas si ce qu'on a fait tous ensemble autour de la table, si on soulignait à quel point c'était ça le résultat.

Eh! bien, je sais pas si M. Trudeau et son entourage s'en aperçoivent vraiment, mais une chose est certaine c'est qu'au moment où on se parle, et jusqu'à nouvel ordre, les résultats sont encore pires que ce qu'on appréhendait. On tâchera d'ici quelques jours d'approfondir et de compléter les conclusions qu'on doit tirer de ces trois jours. On devra d'autant plus le faire qu'avec l'idée très "cute", "cute idea" comme on dit en anglais, avec l'idée très "cute" que le Premier ministre

fédéral a eue de renverser l'ordre habituel des interventions, il s'est assuré d'avoir le dernier mot, ce qui est pas illégitime aujourd'hui, mais l'expérience nous apprend que s'il a le dernier mot aujourd'hui, ça va demander peut-être un certain nombre de précisions et de rectifications dans les jours qui viennent.

En tout cas, à tout le moins pour ce que j'ai à dire le plus rapidement possible, je vais tâcher d'être clair et de dire d'abord ceci. C'est qu'il y a une certaine sérénité qui s'est manifestée tout à l'heure, l'espoir même quand on désespère un peu, mais moi, il me semble qu'on doit aussi penser que ces trois jours ont eu comme résultat dans l'opinion publique, et ça, c'est inévitable, uniquement de renforcer dans d'innombrables esprits le scepticisme, la méfiance qui grandit sans cesse, et on peut même dire le cynisme à l'égard du système politique et des dirigeants, quels qu'ils soient.

Vous savez, je regrette, je dois le dire, on s'est opposé à ça, c'était dans la logique de notre attitude depuis quelque temps, nous, du Québec, je regrette qu'on n'ait pas de sténographie ni de transcription de ce qui s'est dit ici, non pas en public, mais ce qui s'est dit depuis deux jours et demi, trois jours dans nos réunions. Je crois que ce serait terriblement instructif.

En tout cas, en ce qui concerne un des deux sujets vitaux que nous avons évoqués dès le début, et quand je dis "vital" ou "vitaux", c'est pas exagéré dans le cas du Québec, c'est vrai aussi pour d'autres provinces, mais particulièrement dans le cas du Québec. C'est-à-dire la question des paiements de transferts, cette masse d'argent qui est une répartition

pour une meilleure équité, ce que beaucoup de nos collègues ont dit déjà d'ailleurs, ou une équité convenable à l'intérieur d'un système fédéral équilibré. Ces paiements de transferts, les intentions annoncées, répétées, unilatéralement décidées sans aucune négociation par le Gouvernement fédéral et le ministre fédéral des Finances, promettaient de coûter 675 millions au budget du Québec dans des domaines aussi vitaux que ceux qu'on connaît, l'éducation, la santé, l'ensemble de la péréquation. Il y a par ailleurs, à cause des chiffres récents du recensement, je n'entre-rais pas dans la plomberie, un soulagement partiel, très partiel, qui est probable pourvu qu'on respecte les règles. En ce qui concerne les résultats du recensement qui viennent de sortir sous forme préliminaire dont on connaîtra les chiffres permanents, les chiffres définitifs seulement vers le mois de mai, je crois; donc, 675 millions de pertes dans les paiements de transferts pour l'année 1982-1983, mais par ailleurs, la possibilité d'un rajustement partiel de limiter les dégats, si vous voulez, grâce à des résultats inattendus du référendum.

A cause de toute la complexité de ça, du caractère à la fois unilatéral et très évidemment improvisé, ça fait trois, quatre fois que c'est corrigé déjà, de ce que véhiculait le Fédéral, les ministres des Finances, trois, quatre fois depuis

deux jours, se sont réunis ce matin une dernière fois, les ministres des Finances des dix provinces et à l'unanimité, avec une contribution qu'il faut

souligner de deux provinces, contribution ex gratia, si on veut, de deux provinces, l'Alberta et la Colombie-Britannique, sont arrivées unanimement avec une formule qui promettait de corriger pendant un an pour qu'on puisse voir clair dans l'avenir un peu le caractère unilatéral, non négocié, totalement inéquitable au point de conduire à l'absurdité totale et à la déstabilisation des finances provinciales. Et, comme par hasard, surtout les finances provinciales au Québec.

Cette formule a été balayée, sauf erreur, jusqu'à nouvel ordre, du revers de la main, elle est connue, je n'entrerai pas dans le détail, elle a été publiée. Ce sur quoi M. le ministre fédéral des Finances, M. MacEachen, est arrivé avec une idée, c'était pas une offre, c'était une idée; cette idée était officiellement de corriger un peu en donnant généreusement 168 millions de plus, dont 53 seraient venus au Québec. Mais en même temps, l'idée de M. MacEachen était de changer la formule de redistribution qui découle du recensement, de façon à ce que ça donne le résultat suivant, tenez-vous bien: 53 millions de plus pour le Québec, mais en même temps, 101 millions de moins découlant du recensement, c'est-à-dire qu'on ajoutait à ce qu'on nous avait déjà fait, ou ce qu'on prétendait déjà nous faire, une perte nette de 48 millions de plus.

Ce qu'il faut ajouter également, parce que ça, ça touche plus le Québec que n'importe où ailleurs, puis il y a pas un Québécois qui ne comprendra pas. C'est qu'il y avait en plus, et on a appris ça au cours de l'après-midi, des conditions qu'on nous a envoyées par la tête, autrement dit, c'est déjà aussi grave que ça, mais ça peut être

pire, parce que si on n'accepte pas certaines conditions ça va être pire. Or, ces conditions, je ne les citerai pas au complet, mais en ce qui concerne l'éducation au Québec, ce serait par exemple ceci: on accepterait généreusement de prolonger le mécanisme actuel du système pendant un an, mais contrairement à ce que demandent les ministres provinciaux des Finances, il n'y aurait pas d'argent additionnel, les coupures seraient toujours là. Mais ces coupures pourraient être plus sévères encore à moins que, ce sont des conditions, à moins, et je cite, que les gouvernements provinciaux s'engagent à augmenter le financement global de l'enseignement post-secondaire au cours de chacune des deux prochaines années, c'est-à-dire une irruption directe au delà de ce qui a été fait par le coup de force constitutionnel d'il y a deux mois, une irruption directe dans l'administration dans l'éducation à condition que les gouvernements provinciaux s'engagent à discuter avec le Secrétaire d'Etat, l'honorable M. Fox, je crois, le Secrétaire d'Etat, de mécanismes qui permettraient de réaliser les grands objectifs nationaux en matière d'appui global à l'enseignement post-secondaire et une autre condition, et ça, c'est le bouquet: à condition que nous acceptions une planification conjointe fédérale-provinciale pour la mise en oeuvre de mesures qui permettront d'atteindre les objectifs fixés dans le domaine de l'enseignement post-secondaire et de la formation. Je pense qu'il n'y a pas un Québécois qui ne comprendra

pas quelle est la lancée sur laquelle on prétend nous forcer de suivre, sinon ça va nous coûter encore plus cher.

J'espère en tout cas, et ça a été évoqué entre autres par le Premier ministre du Nouveau-Brunswick, j'espère, et d'autres aussi, qu'après deux mois, deux mois après l'exercice constitutionnel de la fin de 1981, on commence à comprendre. Je pense que M. le Premier ministre de la Saskatchewan en a parlé, on commence à comprendre la fragilité devant certains gouvernements, la fragilité de l'enchâssement, du fameux enchâssement de tel ou tel principe; là, il s'agit entre autres de la péréquation dans la Constitution et la facilité avec laquelle quand la volonté s'y trouve, à un certain niveau de gouvernement, les plus beaux principes peuvent facilement être vidés littéralement, vidés de toute leur substance et tordus pour dire le contraire de ce qu'ils sont censés dire.

Et pourtant, nous étions venus ici dans le but, sans illusions, mais dans le but acharné de répondre, si possible, à la préoccupation légitime, de plus en plus souvent douloureuse aussi, des citoyens et des citoyennes qui sont aux prises avec des taux hypothécaires exorbitants et qui peuvent être en même temps, et ça arrive très souvent que ce soient les deux, forcément, menacés de perdre leur emploi ou même des gens qui sont déjà en chômage.

Nous comprenons, parce que nous la partageons comme jamais auparavant, la frustration et la colère que vont ressentir une multitude de gens au Québec et partout au Canada face à un exercice, un exercice fédéral-provincial qui devait d'abord, dans l'esprit de tout le monde, être destiné à trouver conjointement des solutions à ces maux qui frappent directement et avec une dureté sans précédent, tant de gens; cet exercice qui finit aussi bêtement en ce moment, totalement en queue de poisson.

Comme nous, bien sûr, tous ces gens ont dû constater, c'est pas nouveau, je pèse mes mots, mais je crois qu'il faut le dire, l'insensibilité, l'insensibilité totale du Gouvernement et de l'administration technocratique qu'il entoure à Ottawa face aux problèmes du chômage, à toutes ses conséquences. Il ne suffit pas de dire des platitudes, comme en a entendu pendant la séance d'ouverture pour prouver qu'on comprend, mais qu'on sent aussi ce qui est en train de se passer, il faut qu'on fasse quelque chose. Une insensibilité totale à tout ce que ça veut dire au point de vue humain, au point de vue de la dignité des gens, au point de vue psychologique, au point de vue de l'espoir pur et simple.

De fait, il ne faut pas perdre la mémoire, je pense qu'il faudrait que les gens n'oublient pas. De fait, depuis qu'il est au pouvoir, à peu près sans arrêt, avec un hiatus de quelques mois en 1979-1980, c'est-à-dire depuis quatorze ans et plus, depuis 1968, ce même gouvernement

libéral, qui est toujours là, qui a entre les mains tous les principaux leviers économiques, a toujours considéré le problème du chômage comme une question futile et secondaire, en tout cas, extraordinairement moins importante qu'une obsession permanente purement monétariste, et quand on dit monétarisme, ça veut dire du dogmatisme et tout ce qui est dogmatique, quand ça finit par durcir, il y a plus moyen de décoller ça à moins de prendre des grands moyens justement.

Dès 1970, en février 1970, à une conférence fédérale-provinciale, M. Trudeau, qui est ici avec nous, affirmait déjà et je cite:

" Que l'inflation est le problème numéro 1 du Canada et qu'il est prêt à accepter une augmentation du chômage pour arrêter l'inflation"

en 1970. Il y a eu une seule exception à cette ligne de conduite obsédée et obsédante, une seule exception qui s'explique, je pense bien, c'est au cours de la campagne électorale de 1974 où tout à coup l'inflation n'était plus vraiment un problème. On sait ce qui s'est passé depuis.

Mais tout ce que je sais, c'est que douze ans après, c'est toujours le même discours, alors que la lutte à l'inflation est un échec retentissant, monumental et qu'au Québec, par exemple, mutatis mutandis, c'est un peu vrai partout au Canada, le chômage, le nombre de chômeurs a triplé, ces quelques dernières brèves années. Et ça promet d'aller en empirant encore parce qu'on a eu aujourd'hui dans les journaux le résultat d'une étude fédérale qui nous annonce quelque chose comme 175,000 chômeurs de plus au Canada au cours

des deux prochains mois, avec une concentration particulière dans les secteurs manufacturiers du Québec et de l'Ontario. Et il s'en ajoute tous les jours comme ça. M. Hatfield, Premier ministre du NOuveau-Brunswick, nous disait qu'une centaine d'employés du Canadien national ont reçu aujourd'hui leur notice, comme on dit, c'est-à-dire qu'ils sont mis à pied au Nouveau-Brunswick. Le chiffre que nous avons c'est une centaine concentrée surtout dans la région de Moncton. Ce que M. Hatfield n'avait pas besoin de dire, parce qu'on peut le dire, nous, c'est que, en même temps quatre cents ont eu le même traitement à Montréal, six cents dans le reste du Québec. Il y en a apparemment sept cents répartis ici et là dans le reste du Canada, ce qui fait qu'il y a une sorte de sollicitude particulière pour le Québec, comme on le remarque de plus en plus. Sur un total de 1,800 mises à pied brutales annoncées aujourd'hui, sur le total de 1,800, il y en a 1,000 qui ont eu la bonne nouvelle exclusivement au Québec.

Donc, alors que la maison brûle et que les citoyens cherchent désespérément à sauver ce qu'ils peuvent, et même à sauver leur peau, les Gouvernements provinciaux sont à pied d'oeuvre, on l'a dit, on l'a répété, chacun a énuméré des projets, des possibilités de solution à court terme, les Gouvernements provinciaux sont là avec leurs camions d'incendie, puis tous les boyaux d'arrosage dont on peut disposer pour tâcher d'éteindre ce feu, en tout cas de l'atténuer. Et si ça a montré une chose en particulier, la journée d'hier puis une partie de la journée d'aujourd'hui où on parlait de possibilité de stimulation économique, ça a montré justement ceci, il y a personne autour de la

table qui pourrait dire le contraire, que l'extraordinaire diversité qu'on remarque depuis l'Atlantique en passant par le Québec, en passant par l'Ontario, les Prairies, jusqu'à la Colombie-Britannique, cette extraordinaire diversité est exactement ce qui rend complètement absurde, invraisemblable, quels que soient les grands "sparages" de restructuration dont on nous parle, une politique qui prétendrait oublier cette diversité et être "bulldozée" comme on nous l'a laissé entendre uniquement à partir des tours d'ivoire d'Ottawa. Ce qui est pire, c'est que pendant ces deux jours, le Gouvernement fédéral, pendant que le feu est pris partout, qui a la main sur la borne-fontaine, si vous voulez, refuse de fournir de l'eau. Pas question! Il veut garder son eau pour faire monter le niveau de son réservoir et quand il en sortira unilatéralement, ça sera plus visible.

M. Hatfield l'a rappelé, je pense que ça vaut la peine de le souligner de nouveau, le ministre fédéral des Finances au début, comptait sur deux ans sauver, à peu près 1,5 milliard à nos dépens. Il va, si les intentions annoncées et de plus en plus sévères se concrétisent, il va en sauver deux fois plus, c'est-à-dire 3 milliards et deux-tiers, au lieu de 1,5 milliard pendant deux ans. Et tout ce qu'on nous a proposé, pendant que la maison brûle encore une fois, ça a été, non pas d'éteindre le feu, mais d'aller faire du "shop", c'est-à-dire d'aller faire du "shopping", non, que le Fédéral unilatéralement ferait du "shopping"

pour nous fournir un nouveau mobilier plus moderne un peu partout au Canada. Comme recette de guérison, ou en tout en cas de traitement d'une maladie économique aussi avancée que celle dont nous souffrons, on aura rarement vu mieux. Parce que c'est ça en substance, le message que nous a livré le nouveau tsar officiel de la restructuration des instruments économiques fédéraux, le Sénateur Olson, qui est ici près de nous.

Et pourtant nous, on n'est pas les seuls, je le sais, on a tellement pris au sérieux ce qui se discutait ici, parce qu'on s'accroche à ce qu'on peut, qu'on a travaillé d'arrache-pied depuis deux jours pour essayer de bâtir une perspective, on ne s'imaginait pas qu'on allait inventer le monde, mais une perspective qui rejoindrait équitablement, de façon équilibrée aussi, une foule de nos principales préoccupations. Cette damnée question monétariste des taux d'intérêts considérée comme une espèce, pas de cataplasme, de panacée quasiment toute seule et qui, depuis cinq ans, en particulier, fait la preuve exactement du contraire. Donc, la question des taux d'intérêts. La question absolument vitale pour nous de ces paiements de transferts, j'en ai parlé tout à l'heure, le soulagement vital, crucial au Québec, au Manitoba, et ailleurs d'une foule de petites et moyennes entreprises pour qui ça prendrait pas la moitié, je suis sûr, peut-être même pas le quart, de l'argent qu'on a consacré à Massey-Ferguson ou à Chrysler, parce que ça, c'était visible dans le paysage, pour leur donner un souffle de vie, puis leur permettre de passer à travers l'année qui vient et qui mériteraient de passer à travers cette année.

Aussi un certain minimum d'efforts en ce qui concerne l'investissement. Et puis finalement pour aider à la lutte à l'inflation, de bonne foi, le contrôle plus efficace, un contrôle meilleur du coût des administrations publiques qui est un gros facteur à lui tout seul. On le sait, ça. On a tâché de notre mieux, on se fait pas d'illusions, ce n'est pas parfait, loin de là, mais de tirer une perspective de tout ce qui avait été discuté depuis trois jours. Mais devant le décousu total, effarant et terriblement voulu aussi, j'en suis sûr, devant le décousu total des deux dernières journées, et devant le cul-de-sac final qui est arrivé abruptement en fin d'après-midi, tout ce qu'on a pu faire, ça a été de déposer devant nos collègues des autres provinces et devant le Gouvernement fédéral, une petite espèce d'effort ou d'essai juste à la fin de la séance.

Donc, ça n'a pas pu recevoir, puis ça en aurait besoin, c'est sûr, l'amélioration, la bonification et les idées qu'aurait pu apporter, et Dieu sait qu'il y en a des idées, qu'aurait pu apporter une discussion un peu élaborée sur ces simples recettes, ce qu'on appelle en anglais un "package", qui pourraient se substituer à la politique qui est en train littéralement de massacrer l'économie et les gens qui en vivent.

Sans insister, mais je vais la lire, on l'a distribuée, rapidement, telle qu'elle est en ce moment. On disait ceci et on se permet de le dire encore, ça nous paraît pas être idiot:

" Afin de concilier les préoccupations

de lutte à l'inflation, parce qu'on le sait que l'inflation c'est un mal, seulement quand une recette ne marche pas depuis cinq ans, c'est peut-être un minimum d'imagination que de se dire il faudrait peut-être en changer. Afin de concilier les préoccupations de lutte à l'inflation et la nécessité absolue de mettre un frein à la hausse dramatique du chômage au Canada, afin de régler de façon satisfaisante le problème des arrangements fiscaux, les paiements de transferts, là, en tenant compte des responsabilités traditionnelles du Gouvernement fédéral, et des besoins des provinces, afin de mettre en marche dès maintenant des mesures concrètes pour relancer l'économie et restaurer la confiance des agents économiques, nous proposons, le Gouvernement du Québec, la délégation québécoise: premièrement, que les autorités fédérales, c'est un minimum de conjonctures, Dieu sait que c'était raisonnable, que les autorités fédérales, les autorités monétaires canadiennes s'engagent à maintenir les taux d'intérêts à court terme au Canada à pas plus de 1 p. 100 au-dessus des taux américains correspondants autour des deux années qui viennent, et de leur côté, les gouvernements des provinces et leurs organismes qui effectuent un volume important d'emprunts à l'étranger, ça concerne le Québec parmi d'autres en particulier, contribuant ainsi à raffermir le dollar canadien, s'engageraient à agencer leurs emprunts à l'étranger pour apporter un soutien à la Banque du Canada en ce qui concerne le taux de change du dollar et en contrepartie, pendant la même période, c'est bien le moins, la

Banque du Canada garantirait les gouvernements de ces provinces et leurs organismes contre les baisses du taux de change du dollar canadien. Encore une fois, c'est un minimum raisonnable et risqué jusqu'à un certain point, parce qu'il peut arriver, et ça a été évoqué entre autres par le Premier ministre de l'Alberta et d'autres, que les taux américains, on doit arrêter de se coller dessus, parce qu'ils peuvent crever le plafond de nouveau. Alors, à ce moment-là, si ça devait crever le plafond aux Etats-Unis, bien, qu'on se décroche des Etats-Unis, Bon Dieu! Qu'on se décroche des Etats-Unis et puis qu'on approfondisse une solution qui permettrait d'avoir une stabilité fabriquée ici au pays.

Après tout, le dollar canadien c'est pas le veau d'or. Je répète pas ce qui a été dit par d'autres. Une certaine baisse peut avoir des inconvénients, mais je sais qu'elle peut avoir de sacrés avantages aussi. C'est pas le veau d'or. Pour ceux que ça obséderait, je rappellerai que M. le Premier ministre fédéral et son entourage partisan ont déjà promené à travers le Québec, pour nous faire, bien sûr, pour nous rendre service, un truc qui s'appelait "la piastre à Lévesque", dont on avait arraché un morceau. Parce que si on était élus, imaginez ce qui arriverait au dollar. Je dois dire que déjà et depuis un bon bout de temps, on vit avec la "piastre à Trudeau" et puis, elle a pas l'air particulièrement brillante depuis un certain nombre d'années. C'est pas une vache sacrée, on peut survivre à ça. En tout

cas, c'est pas une vache sacrée au point de sacrifier devant ça, non seulement le bien-être, mais jusqu'à l'espoir et la dignité et même l'avenir des travailleurs et de leurs familles.

Et deuxièmement, on disait qu'en raison du résultat insatisfaisant des négociations au sujet des arrangements fiscaux, des risques d'instabilité de la formule et Dieu sait qu'elle est instable, ça fait trois fois qu'ils changent depuis trois jours, par le Gouvernement fédéral, des incertitudes considérables que font planer les données du recensement de 1981 sur les recettes de plusieurs gouvernements, qu'on endosse tout simplement le consensus, l'unanimité des dix ministres provinciaux des Finances qui tenaient compte aussi d'une façon extraordinairement raisonnable de certains besoins soit-disant de compression du Gouvernement fédéral.

Que troisièmement, dans le but d'aider les petites et moyennes entreprises à traverser la crise et conserver ainsi des milliers d'emplois de plus en plus menacés, le Gouvernement fédéral participe à la constitution d'un fonds d'urgence qui servirait pendant une période de deux ans au financement d'une opération de prêts à intérêts réduits et de garanties de prêts. Ca, ça peut se faire partout au Canada, dans le cas du Québec, nous, on était prêts à faire assumer cette opération, et on est encore prêts à la faire assumer par la Société de développement industriel qui

pourrait compter, à condition de pouvoir compter sur une participation fédérale substantielle.

Et quatrièmement, dans le but de relancer l'économie et de stimuler un peu les investissements qui sont là partout qui attendent et qui peuvent attendre longtemps comme c'est parti là, le Gouvernement collabore à la création d'un fonds de capital de risque dans chaque province. Quant à nous, le Gouvernement du Québec pourrait injecter dans un tel fonds le produit des dividendes provenant de l'Hydro-Québec, jusqu'à concurrence de 75 millions, et le Gouvernement fédéral pourrait peut-être fournir un montant égal avec les milliards qu'il est en train d'épargner à nos dépens. Caisse de dépôts et de placements du Québec serait également invitée à participer au financement et ce serait consacré prioritairement à des investissements qui rejoignent les soi-disant priorités qu'on nous étale depuis deux jours, c'est-à-dire les technologies de pointe, des projets de ce côté-là, des secteurs qui sont dirigés vers l'exportation dont on a tant besoin pour la balance des paiements et des projets moteurs en région. Il y en a une foule qui sont là qui attendent de pouvoir se réaliser.

Et cinquièmement, et enfin, tenant compte d'une préoccupation légitime pour l'inflation et d'un des facteurs principaux de l'inflation, et ça, ça rejoint le thème qui s'est généralisé depuis hier d'une discussion qui s'est passée en coulisse, mais qui a eu ses échos à l'extérieur, c'est-à-dire cette préoccupation

que nous partageons tous et le Québec, je dois dire, on pratique le partage autrement plus qu'Ottawa si on regarde la performance des deux, trois dernières années, cette préoccupation que nous partageons tous, qui est devenue lancinante et qui doit l'être en ce qui concerne l'escalade des coûts des secteurs publics. Et on proposait ceci sans avoir pu consulter; que tous les gouvernements s'engagent par ailleurs à déployer tous les efforts possibles pour que la croissance des dépenses courantes n'augmente pas plus que celle du produit national brut au moins pour les deux années qui viennent.

Qu'en outre, les gouvernements s'engagent à ramener la rémunération globale des employés des secteurs publics et parapublics au niveau de celle des employés du secteur privé syndiqué dans les plus brefs délais possibles et qu'en troisième lieu, le nombre des employés des secteurs publics et parapublics de chaque gouvernement soit fixé à croissance zéro, c'est-à-dire n'augmente pas au cours des deux prochaines années, ce qui pourrait permettre beaucoup de rationalisation dont je pense la plupart d'entre nous, sinon tous, en auraient besoin et ça s'applique, je crois, aussi très spécifiquement au Gouvernement fédéral. Au fond, et je termine là-dessus rapidement, tout ça se révèle vraiment à partir de l'expérience conjuguée des deux trois derniers mois, constitutionnelle, d'une part, économique maintenant, ça révèle une chose essentielle, l'obsession unitaire fondamentale qui règne à Ottawa, une obsession qui risque de nous

mener au désastre, parce que c'est au fond des choses, cette obsession qui a mis tout le Canada au point de vue économique, comme au point de vue constitutionnel, sur une espèce de pilote automatique qui s'arrêtera on sait pas où. Il est évident qu'il va s'arrêter quand il y aura un écrasement, mais à ce moment-là, il faudrait s'arranger avec les survivants.

Malgré le discours tout rempli de vertu et de maternité du Premier ministre fédéral à l'ouverture de nos travaux il y a trois jours, qui était placé sous le signe de la main tendue, qui était tout rempli d'appels à la sagesse, je pense qu'on a compté sept fois le mot sagesse, à l'équité, à la coopération. On n'a pas vu depuis trois jours, quant à nous, la moindre main tendue d'aucune façon, mais on a vu un paternalisme dont, je suis obligé de dire, qui est plutôt méprisant. Et cette indifférence totale, incompréhensible au fond, vis-à-vis des problèmes de plus en plus criants que vivent les gens. On a resserré la tenaille constitutionnelle en novembre dernier et ça a permis de faire perdre pas mal de crédibilité à beaucoup de ceux qui en sont sortis. Et maintenant on s'acharne à refermer la tenaille financière, parce que les pouvoirs, les pouvoirs, la fameuse visibilité du Gouvernement fédéral actuel, sont plus importants que les priorités économiques elles-mêmes et leurs retombées sociales. On place la visibilité avant l'efficacité,

on place la visibilité et le rendement partisan politique avant toute autre considération. M. Trudeau confessait lui-même en début de conférence, à propos du développement régional en particulier, et je cite, je crois: "Nous comptons nous acquitter nous-mêmes et en être tenus comptables." Avoir le crédit.

Voilà pour la dimension politique de l'action ou terriblement de l'inaction économique de ceux qui sont censés nous gouverner à Ottawa. Je dis "censés nous gouverner" et je vais brutalement dire en terminant ce qui nous paraît évident quant à nous. C'est que ceux qui gouvernent vraiment le pays ce sont essentiellement des technocrates extraordinairement permanents dont les vues ultra-centralisatrices sont connues depuis longtemps. Ainsi, M. MacEachen, ministre des Finances, s'est réfugié je crois, il n'y a pas d'autres mots, cette semaine derrière le discours académique du Gouverneur de la Banque du Canada, M. Bouey, pour éviter de répondre, en fait pour l'essentiel, aux arguments des Premiers ministres provinciaux. Ça ne déguise pas la responsabilité ultime, elle appartient au Gouvernement fédéral, et non pas au grand commis, sauf tout le respect qu'on lui doit, qui s'appelle M. Bouey. Nul n'ignore que le grand stratège d'Ottawa en matière de relations fédérales-provinciales, M. Michael Kirby, professe peut-être, ça fait rire le Premier ministre fédéral, peut-être

que ce que je vais citer va le faire rire aussi, mais ça fera pas rire tout le monde quand ils vont voir ça, s'il ne l'ont pas remarqué, parce que ce monsieur se permet de définir les politiques en public, et surtout ce qu'on pourrait appeler leur contenu idéologique. Donc, M. Kirby professe un profond mépris à l'endroit du palier provincial de gouvernement et ne le cache pas. Le 19 janvier dernier, je vois cette citation directe de ce monsieur dans le Globe and Mail de Toronto: "I can say that I reject the notion that provincial governments are the best judges of what's good for these constituents", ceux qu'on partage, les citoyens à deux niveaux de gouvernement et il ajoutait: "I am not a believer in the Town Council theory of government". Autrement dit, ce monsieur rejoint John A. MacDonald en pire, qui était un unitaire frustré et qui disait: "On a laissé aux provinces 'glorified municipal governments or administrations', il a fallu faire ça," disait M. MacDonald. Il y a plus de "glorified" quand M. Kirby en parle, c'est purement "Town Council system of government". Je soulignerai en passant que ça va sûrement être considéré comme très flatteur par les administrations municipales, ils vont apprécier sûrement la délicatesse extrême de ce monsieur et quant à nous, on peut en tirer les conclusions.

C'est avec de tels raisonnements et tout ce qui s'ensuit, il faut bien le noter, de 1968 à 1980. En 1968 commençait un gouvernement. Ça a changé un peu partout au Canada pendant ces quatorze ans, au Québec, partout, chacun a fait son possible, on n'a jamais la permanence assurée,

personne ne l'a, mais il y a une sorte de permanence, grâce au Québec en particulier, qui a été assurée à ce même gouvernement libéral fédéral depuis 1968. Or, de 1968 à 1980, il y a quand même, c'est un résultat ça aussi, le Canada est passé du troisième au douzième rang dans le monde pour le produit intérieur brut per capita, qui est, je pense, la notion la plus couramment utilisée. Et ça, c'est pas par manque de richesses matérielles, on se compare avantageusement avec n'importe quel pays à ce point de vue là. C'est pas par manque de ressources humaines compétentes, de plus en plus, partout au Québec, dans le reste du Canada, les ressources humaines sont là, elles demandent qu'à travailler. Il doit y avoir une question quelque part de direction, d'orientation, de cette fameuse notion qu'on appelle le "leadership". Or, le leadership, il a été exercé essentiellement par le même gouvernement, avec tous les grands leviers stratégiques depuis quatorze ans. Il arrive par coïncidence que ce soit comme ça. Et voilà où ça nous mène.

Et je terminerai en citant le passage, un autre passage du discours de M. Trudeau, très clair, sur l'intention du Gouvernement fédéral, c'est dès l'ouverture de la conférence et je cite: "De travailler moins souvent que le Fédéral travaille moins souvent dans des domaines qui vous concernent au premier chef les provinces, comme la voirie, les ponts et les travaux publics, ce qui nous donne la perspective qui correspond admirablement au "Town Council Government" évoqué par M. Kirby.

On ne peut pas dire qu'il n'y a pas une sorte de cohérence dans cette pensée. C'est ça l'optique qui règne depuis quatorze ans à Ottawa. Quelle est la suite ? Dans le régime où nous sommes, une chose certaine c'est qu'on n'a pas le droit de cesser d'essayer. Mais je dois dire une chose, c'est qu'en trois jours, on n'a pas renforcé cet ingrédient essentiel, c'est le moins que je puisse dire, qu'on a évoqué à plusieurs reprises qui s'appelle la confiance en nous de la délégation et du Gouvernement du Québec, cette confiance comme chez tant de citoyens, elle vient de piquer une damnée plonge, si vous me permettez l'expression, depuis trois jours, pendant qu'elle disparaît à vue d'oeil un peu partout au Canada.

Il reste une raison peut-être d'espérer qui correspond un peu à celle qu'évoquait le Premier ministre du Nouveau-Brunswick, c'est que passé un certain point, il y a des limites à tout, passé un certain point, c'est pas vrai que trop fort casse pas et je pense qu'on est à la veille d'arriver à ce point-là.

Merci, monsieur le président.

LE PRESIDENT: Merci beaucoup, monsieur Lévesque.

Premier Davis, you now have the floor.

HON. WILLIAM DAVIS: Mr. Prime Minister and fellow Premiers, I find it a rather unique experience, Mr. Prime Minister, to be contributing just prior to your own summation. Usually it is sort of the reverse order and I think I can predict with some accuracy what you will be saying, not only to this conference, but to the people of Canada; and I will not prejudge it, sir, but if I refer to it in passing, I think, sir, you will understand.

Mr. Prime Minister, I said at the outset of this conference that I think I am known as an optimist. I can't say to the people of our province that this conference has been a success. I have heard several of my fellow Premiers, Mr. Prime Minister, express their disappointment. I guess I would summarize my feelings as being more of frustration, perhaps some sadness and perhaps (and I try to control it), some measure of anger; and I don't say that to you, Mr. Prime Minister, or any of your Ministers, in any personal sense.

I said to the Minister of Finance during the discussions that I would not trade jobs with him nor do I underestimate the pressures that are upon him at this moment in this country's history. Saddened, Mr. Prime Minister, because people that you talk to--people whether it is within our country, but perhaps more typically outside this country--cannot understand that, with the extent of our natural and human resources, why we have the difficulties, why we lack that measure of that confidence and that enthusiasm that I think should be present and part of the Canadian attitude.

Mr. Prime Minister, I referred in my opening statement to the question of confidence. I am not minimizing inflation. I am not minimizing the external pressures brought about by the international economic situation. But I do think that what this conference has not done is really demonstrate to the people, at least of my province, that they can be more hopeful or more optimistic as a result of our deliberations. But I will come back to the people of Ontario when I conclude.

Mr. Prime Minister, I do not intend to belabour the debate that has been going on this past day with respect to established program financing and equalization. And while it is true in recent history that some of our sister provinces have enjoyed upsurges in wealth, (which is healthy for the rest of the country). I think if one looks at history and tradition, the province of Ontario supported and continues to support the fundamental and underlying concept of Confederation and that is the principle of equalization. It is essential, it is what this country is all about.

I will not labour, Mr. Prime Minister, the contradictions in terms of what has been enunciated as federal policy. We hear of the restraint, and that is, a term that I guess is appropriate but the reality is, when you are dealing with the essential social services like health and education, what the government of Canada is proposing is not a question of restraint, it is, in today's climate, that of a cut-back.

Mr. Prime Minister, I am not here making any special pleas for the province of Ontario. We did not come here, in the proposal we presented, with a lot of things we want for Ontario.

Sure there are some, but what we were looking for was an opportunity for some give and take, an opportunity to present some of these ideas along with those presented by other provincial governments, to be put into the mix of determination of economic policy for this country.

Mr. Prime Minister, I guess my frustration really stems from what is more an attitudinal approach on the part of you, sir, and the government of Canada. An approach where I almost sense that minds were made up prior to our arrival here in the nation's capital, and I don't say that in a personal way again, but when I see the press releases, when I listen to the statements made by the well-intentioned Ministers of the Crown of the government of this nation, I sensed that those points of view and those positions were not only inflexible and intransigent, but they were really, I guess, cast in stone.

Mr. Prime Minister, the regret I have is also that this conference is coming at the time it does. We have been seeking a First Ministers' meeting on the economy for some considerable period of time; and it is a little bit like bringing a group of people together after the damage has been done to sit down at a time of our highest unemployment rates, the highest inflation rate and then say, "What do we do about it?" after, in fact I sense, decisions have been made.

Mr. Prime Minister, I take nothing away from the Ministers of the Crown of this country or the people who advise them except to make this observation: they too are human and sometimes they can be wrong. Sometimes, Mr. Prime Minister, the advice that you receive and the Minister of Finance receives perhaps is not always correct. I would never presume to offer my advice as to how I might handle it if I were Minister of Finance for this country because I would never want that responsibility, but I would say, Mr. MacEachen, and I say this very constructively: far better that you had called the Ministers of Finance together some months ago prior to the determination of the budget to sit down with the other ministers because, believe me, they are as well motivated, as well intentioned as you, sir, or anyone else and I think they had something to contribute. I would say to you, Mr. Prime Minister, that I know politics. I have never experienced the pressures you have as First Minister of this country, but I have been in political life just about as long as anyone around this table. I know the problems that emerge when things are tough and the tendency to become defensive, the tendency to say credibility is important, that we cannot change our point of view because we would lose something in the eyes of the public. I just say, Mr. Prime Minister, I don't believe that is the reality anymore. I think that flexibility, the ability to listen, to consider, to assess the proposals that have been put before you makes sense. Mr. Prime Minister, I didn't come here expecting that you

would automatically say, "We are going to lower interest rates." I am a realist. I know what is involved. Our own Treasurer last March and April, even the Premier of the province of Ontario talked about a separate or different interest rate policy. We know some of the problems. We know the possibility of the devaluation of the dollar and it isn't all simple. It is not that easily attained and we know the pluses and we have analysed the minuses. We know, Mr. Prime Minister, that while perhaps the budget wasn't intended to do certain things -- and while I know that perhaps in your closing remarks you will point out that, in fact, the budget was not intended to discourage the entrepreneurs or the investors or the risk-takers--but I tell you, sir, I have talked to businessman after businessman, not all just the bankers, the multi-nationals, the large corporations. I am talking about the small business community as well, who, in the province of Ontario today, don't really believe that the budget that was presented by the Minister of Finance acted as any measure of stimulus or confidence in terms of their investment patterns or their outlook as to the future of those investments they might make.

Mr. Prime Minister, in politics you have to understand, as I have always tried to practice it, if the perception in fact is becoming a reality, you have to deal with the perceptions. If the perception is, of the investment community, that this country is not encouraging, in fact is discouraging, investment, if it is inhibiting people not only within this country but outside this nation from saying this is a good place to do business; whether it was the intent, whether it is the reality, sir, I have to tell you, in my view, it is the perception. We have to have investment.

I listened to the Premier of Québec in terms of the proposal that was put on the table in the latter stages of our discussions. I think there are some signi-

ficant differences between what he was suggesting and what was contained in the document, and some of the things we have been saying. Perhaps, a greater focus on government in terms of who should be the investor or the contributor. We think, in many of our proposals, that we are looking at the private sector, not at just governments, and that may or may not be a philosophical difference, but I tell you the average Canadian, at this moment in time, is not looking at philosophical differences. Mr. Prime Minister, the average Ontarian is looking at their jobs today, tomorrow and six months down the line. I referred to the "Globe and Mail," which is not always a thing I do, at the meeting this morning. I saw the headlines. I am not a cynic. I don't believe it was leaked intentionally. I can only say, sir, if it was, it was very bad timing; but that report, Mr. Prime Minister, if correct, I think further points out what is happening to the individual men and women in this province of ours and, perhaps, throughout Canada. Mr. Prime Minister, we are not looking for easy solutions. We don't believe there are instant remedies. But, Mr. Prime Minister, I can't in all good conscience say, "Yes, I feel better about this conference," because nothing has emerged, nothing that, in fact, comes to grips with the problems that are confronting the people of Ontario, at this precise moment in our history.

I think, Mr. Prime Minister, as governments we have a responsibility to recognize that. I think we have a responsibility to look at the human aspect of what is happening. The human dimension of what happens to an individual who is laid off or a person who is seeking employment. These are the things that we live with, that we live with with our constituents.

Mr. Prime Minister, I don't suggest for a moment that what we are proposing, in any way, is a total solution to the problem. I am not that presumptuous; but I do urge upon you, sir, and your Cabinet colleagues, perhaps, to reassess, to take into account what in fact

is happening, and to take a look at some of the proposals that have been made, to try and assess what, in fact, the direction should be of the government of this country.

I listened to Senator Olson and I am not being critical, Senator, I assure you, when you outline some of the things that are happening, the mega-projects that are in front of us, and I am sure I can draw some encouragement from that in the longer term. We know that when projects move ahead in our sister provinces, whether they be in the resource sector or somewhere else, that the manufacturing sector, the industrial base in the province of Ontario, that we are the beneficiary. But I would say to you, Senator, I was here in '78. I have heard other discussions of this nature. I know that there is a tendency to sometimes say to oneself, "Listen, these projects are going to come onstream. Things are going to right themselves". But I have to tell you that people in my province, sir, cannot wait for that possible eventuality. We all hope it happens. We all do.

I said that there were some contradictions. I heard Senator Olson also say, Mr. Prime Minister, the essential nature of our educational programs in this country, and I would only say, Senator, perhaps I can prevail upon you to sit down with the Minister of Finance and take a look at the contradiction that exists between that observation and the necessity to improve our post-secondary systems, to graduate those people that you say those industries are crying for, because in my view the systems can do it, but they need help and they need assistance.

Mr. Prime Minister, some things have been said about credits. I am not going to labour the point. I must say to you, sir, I was disappointed. I was disappointed when I heard the observation that, yes, there may be more money for equalization to put on the table and we are not the

beneficiaries, but we want a little bit left for ourselves to do those things as a federal government.

Mr. Prime Minister, I am a partisan politician, sir, I say that to you, but when it comes to what is good for the people of the province of Ontario, the working men and women, I will give the government of Canada every single credit it wants.

As I said to you earlier today, sir, I will put up a red and white sign on the campus of the University of Toronto or anywhere else to visibly display to the people of our province just what the government of Canada is doing. I have never been hung up on that particular part of political life.

Mr. Prime Minister, I could go on at great lengths, and I know you have been keeping notes as to the length of time all of us have been speaking and I hope I will not pass the norm, but I may. No, I shall not pass the norm.

I don't mean to be too negative. I don't want my frustration, I guess, to appear to be too evident, or the inner anger I feel, not so much directed at people as it is to the situation as I see it, because, Mr. Prime Minister, I have talked to a number of these people in our industries, a number of these people who themselves are becoming angry and frustrated. I worry about the social conscience. I worry about the consequences, the cynicism that can develop with respect to our institutions and I think that the people of our province and of our country deserve something better. I am not going to urge the Minister of Finance to come back with a new budget,

but I do urge the Minister of Finance to take into account, sir, the things that have been said these past three days; to re-assess his point of view; to sit down with those people who advise him and see if there aren't some measures, some ways and means of moving the economic vitality of this province of ours and this province of Ontario and Canada ahead.

I know we are concerned about inflation and, Mr. Prime Minister, I am sure you will tell us in a very few minutes the question of restraint, the question of public sector restraint. Mr. Prime Minister, I won't -- yes, I will--I will take you back to about '72 or '73 when the then Treasurer of this province, our province, came to this conference I will show you, and document for you, our own approach in the past six or seven years, an approach that even the Minister of Finance from the province of Quebec has acknowledged as being somewhat exemplary in terms of restraint.

Mr. Prime Minister, we have practised it. We have done it. We know the pressures. But at the same time we would like to think we have maintained the sensitivity and the humanity that is essential in governing a nation such as ours.

Mr. Prime Minister, Canada is unique. I will not refer to whether we are counties' council or some lower level of government. I can only say, sir, that I come to these conferences in a spirit of co-operation, in a spirit of enthusiasm, in a spirit of trying to co-operatively resolve the

problems that confront us. And, Mr. Prime Minister, I say very sincerely and very honestly to you that nothing has emerged from this conference that really makes me feel comfortable that we have in fact come to grips with the bread and butter issues confronting the people of this country. I have to acknowledge one glimmer of hope. I was able to elicit from Mr. Gray, the Minister responsible, still, for the automotive industry, his very firm commitment to come to the provincial capital in Toronto, to sit down with me and other Ministers in our province to deal with the problems facing an industry that directly impacts upon one-half million citizens in the province of Ontario; to the extent, Mr. Prime Minister, he did not preclude, in fact, I think he almost enthusiastically endorsed the consideration of the question of Canadian content as being a possible solution to the dilemma facing the automotive sector in this country.

Mr. Prime Minister, I conclude my remarks not totally on this negative tone. I am frustrated. I am somewhat sad, but I am still confident because, I guess, I sense the inherent strengths of this country and its people. I can assure you, Mr. Prime Minister, the people of our province, they are tough. They are prepared to make certain sacrifices if they sense there is equity, which they do not at the moment. And I am not being cynical when I conclude my observations: that our province and this country; we will succeed. It may be in spite of governments but we will do it and I only conclude my observations with a final plea to you, sir--and I don't like to enter pleas--that while we did not expect any major departures by you or your colleagues during these three days, that you, sir, and your colleagues, sir, will very carefully look at the alternatives; look at some of the suggestions, keep an open mind; demonstrate a degree of flexibility and reasonableness so that I would

be more comfortable in saying to the people in my province, -- those thousands of people who today don't feel totally secure, who are worried, who are nervous -- that, yes, there is a direction. We can establish this confidence.

Mr. Prime Minister, I have great affection for this nation and its people and we will -- we will survive it. But I would like to think that that survival will be because of direction and the leadership, and not despite it.

THE CHAIRMAN: Thank you, Premier Davis.

I think it was perhaps a salutary exercise to follow up on your suggestion, Premier Lougheed, and reverse the order of speakers. It certainly permits us, at this end, to share the feeling you must sometimes have when you speak after everyone else has spoken two and a half hours and you are addressing a rather exhausted audience.

I can just reassure you that I won't be asking equal time with the provinces because that would mean we would be here for another two and a half hours.

I will nonetheless try and deal with some of the important issues raised by the Premiers, some in the course of following my notes and some by adding remarks as they come.

You will recall that in my opening remarks on Tuesday morning, I pointed out that we were passing through a critical moment in our history, a moment marked equally by the severe economic problems of today and the unmistakably bright prospects for Canada in the year -- in the near future. I suggested that the challenge for us at this conference was to see what we could do to bridge the gap to that future, to see whether we could hasten its arrival, and see what obstacles to its achievement we could remove. It is still too early to say whether our talks have helped to bring that future a few steps closer, but at least they have helped us have a clear vision of the road that lies before us, with all its twists and turns and its many puzzling forks and, in that, I think I am echoing the feeling that several First Ministers have stated, in their closing remarks.

This conference has been preoccupied with three critical issues, and I want to address them in turn.

First, there is the concern which is foremost in the minds of every Canadian, and that question is: do we have the collective will to mount a sustained action on

the entwined problems of inflation, jobs and interest rates? And I want to dispel, right away, any illusion that may have been created by the reporting of this conference, an illusion that the government of Canada is preoccupied solely with inflation, while provincial governments are concerned about the suffering and hardship of unemployment, or about stimulating economic growth.

Je vais répéter ça en français.

Parce que c'est un point sur lequel on s'est assez longuement attardé en français. Le but du Gouvernement fédéral, autant que celui des provinces, est de créer des emplois et de créer une activité économique qui donnerait suite à ces emplois. Et lorsque vous avez dit, monsieur Lévesque, que depuis 1968, notre Gouvernement n'était pas préoccupé du problème du chômage, qu'il était uniquement obsédé par le problème de l'inflation, je me permets de vous rappeler simplement les chiffres, les chiffres tout au long de la décennie passée qu'on a compilés sous la rubrique d'Olympique économique et qui indiquaient, je vous le rappelle, que de tous les pays industrialisés, le Canada est celui qui, de très loin, a créé le plus grand nombre d'emplois par rapport au chiffre total de sa population.

Ca, c'est une donnée qui est vraie pour toute la décennie passée. Vous vous inquiétez et, à juste titre, de la performance du Québec et du Canada dans la période actuelle, c'est-à-dire depuis une couple d'années, alors que nous ne créons pas les emplois au même rythme. Je voudrais simplement vous dire que ce n'est pas une façon juste de raisonner que de dire que lorsque les emplois sont créés au Québec, c'est dû uniquement au mérite du Québec, mais lorsque la performance s'affaiblit, ça, ça devient la faute du Fédéral.

Je pense que si les emplois ont diminué au Québec comme ailleurs depuis un certain nombre de mois, en fait depuis le mois d'août dernier, alors que la baisse dans le chômage qui existait depuis quelques années s'est mise à remonter, je pense que cela est dû à l'ambiance économique générale et le Québec, pas plus que d'autres provinces sont des victimes désignées, sauf qu'en ce que peut-être le Québec, plus que d'autres, a réussi à créer pour l'entreprise un climat inhospitalier, mais ça, c'est un problème qui relève du Gouvernement provincial et sur lequel je ne m'attarderai pas ici.

Simplement quand vous donnez des exemples des efforts du Gouvernement fédéral à créer des emplois ailleurs, comme si on ne faisait rien dans le Québec et vous avez cité les sommes supposément versées à Chrysler et à Massey-Ferguson, laissez-moi vous dire que nous n'avons pas versé un sou à Chrysler ou à Massey-Ferguson. Il y a eu des garanties de prêts ou d'investissements, mais nous n'avons pas versé un sou. Néanmoins, vous soulignez avec l'indignation qui vous est coutumière que nous n'avons de l'argent que pour les autres provinces et vous oubliez de dire, par exemple, qu'on a donné plus de 100 millions à KHD à Boucherville, pour une usine Diesel, un autre 300 millions à Pratt et Whitney, dans le Québec pour un moteur PT-6, un moteur d'avion dont on a déjà vendu pour plus d'un milliard.

On peut ajouter un autre 50 millions pour le moteur PT-7, et caetera. Donc, les faits ne sont pas tels que vous les exposez, mais pour autant que vous concluez sans cesse votre plaidoyer pour une plus grande coopération, une plus grande compréhension de la part du Gouvernement canadien, je me permets de vous rappeler que c'est votre Gouvernement, et non le nôtre, qui a décidé de mettre fin à ces coopérations et c'est vous, sauf erreur, qui interdisez à vos ministres de participer à des conférences fédérale-provinciales au niveau ministériel ou au niveau bureaucratique, dont il ressortirait sans doutes des bénéfices économiques pour la province, si toutefois la province se donnait la peine d'y assister.

The federal government, therefore, is not concerned with inflation for inflation's sake. We are concerned with the welfare of Canadians, the solid, genuine long-term welfare of our people. In fact, if comparisons had to be made, I would say that we are more concerned about unemployment and economic growth than many of the provincial governments have shown themselves to be precisely because we are ready to tackle the difficult problem of inflation. Experience, both here and elsewhere, has shown us that you cannot have real, long-term economic development or generate lasting employment unless you are first prepared to deal with the problems, like inflation, which stand in their way. There is no avoiding the requirements of self-discipline. We cannot solve the nation's problems by merely claiming that the responsibility for solving them lies with some other level of government. We have chosen our course, -- the federal government, one of restraint in our own finances -- but we have done it in such a way as to be fair to all Canadians. If we do nothing about our own inflation now, we will, once again, find ourselves unable to be fully competitive in the world economy, and that means a direct loss of jobs and of economic growth, the very things that the provincial governments say they want. So things are not as simple as they sometimes appear and the easiest path may not really lead you to your chosen destination.

It is easy to say, as many Premiers have done at the beginning and now at the end of this conference, that we should simply lower interest rates and let the dollar fall; and I recognize that in the minds of most of the Premiers who advocated that or who were prepared to consider it they surrounded it with a lot of other conditions. But in essence we should lower interest rates and look with some equanimity at the possibility -- and some Premiers were on the record mentioning the amount -- of a 75 cent dollar. That is a depreciation of about ten per cent in the value of the dollar. But what are the conse-

quences of so reducing the value of the country's currency? Let's look at that 75 cent dollar. First, it would dramatically worsen inflation. For every three-cent fall in the dollar, there is a one point rise in inflation, so a ten per cent depreciation to 75 cents would add three points to our rate of inflation. That means an inflation rate now of more than 15 per cent. Not only would that pose an immediate hardship on every Canadian, but wage and price demands would necessarily follow suit and begin to exceed 15 per cent and, no doubt, we would soon be on our way to 20 per cent.

What about the provinces themselves? What about the impact of a 75 cent dollar on their own finances? Our provinces owe almost \$40 billion of debt in the United States; so a ten per cent depreciation would mean the annual debt servicing costs would increase by some \$400 million and the added capital loss would be another \$4 billion. Do the provinces really want to add those additional sums to their accounts?

Premier Blakeney, you quoted the federal position as being and I believe I noted it exactly, "The only way to deal with inflation is to have high interest rates." You said that. You said that about us. I think our position is exactly contrary to that. We say the only way to deal with high interest rates is to deal with inflation. We are not trying to deal with inflation by having high interest rates. High interest rates are the direct consequence of inflation and therefore we are trying to deal with inflation so that high interest rates won't keep on. Surely that is the only responsible course, to collectively attack the sources of inflation.

Now each government has its own area of responsibility. We have the power over money and banking. You, the provinces, have the power over wages, prices and profits. So I asked you and I ask you tonight what action are you prepared to take within your own jurisdictions to help establish the conditions for dependable, long-term

economic growth, lowering of inflation which would encourage that growth and the lowering of interest rates which would follow from that lowering of inflation? Because wages, prices and profits fall within your jurisdiction are obviously the main vehicles of inflation and they are also something and I repeat, that fall within the powers of the provincial governments. You recall the courts have decided that it is only in the cases of grave national emergency that the constitution allows the federal government to take action to moderate prices and wage increases.

I say, frankly, wage settlements in particular are a key indicator of the future development of cost inflation and therefore of a country's international competitive position, and wage settlements in Canada have, lately, been showing a worrisome trend. I say no more than worrisome, but, if we compare it to our major trading partners, it is a fact wage settlements peaked in the United States at just over 10 per cent in 1980 and are expected to be below nine per cent this year, while in Canada they have continued an upward climb. They were well above the U.S. rate in 1980 and have continued to rise above 13 per cent in 1981. In recent months the trend continued upward. Many settlements are now in the range of 12 to 15 per cent and this, at a time, as many of you have pointed out, when we are entering a heavy bargaining calendar, particularly in the provincial public sector. The federal government could ignore this worrisome condition if it wished to and allow matters to grow worse until--as happened once before at a certain Thanksgiving lunch as we were reminded--we realized that there was a severe national crisis which existed and as a result of that, the federal government would be able to invoke its constitutional powers over prices and profits and wages. But by that time the health of the economy would be gravely compromised and, in any case, no responsible leader could consciously allow such a crisis to occur.

So true political leadership, I believe, consists in solving problems well before they turn into emergencies. It also consists of more than pointing a finger at the other guy, in this case the federal government, and saying, "It is all his fault." The problem of public sector wages was raised by some Premiers in their presentations to the conference. For that reason and because the provincial governments have jurisdiction over prices and wages the federal government responded to these concerns with an important proposal during our discussions this week. We suggested that together the eleven governments which should be providing economic leadership in this country, together we take a bold step and encourage a moderation of the wage settlement trend which threatens our long-term economic security. We proposed that both levels of government agree on a temporary public sector wage guideline which would serve as an indicator for the whole economy and would provide leadership to the private sector. We proposed that the earnings of those making over \$50,000 a year would be completely frozen, so those who are concerned about some announcements in the past few days, that some of the higher officials of the federal government were getting big increases--anyone over \$50,000 would be frozen, not one cent increase. Those below \$15,000 at the other end of the scale, \$15,600, would be granted increases equal to the rate of inflation to make sure that they wouldn't fall behind in their purchasing power, as they have fallen behind in the last few years. We would make sure that those at the lower end, those least able to make the sacrifice, would have wage increases equal to the rate of inflation, and those in between would be limited to a graduated series of increases depending upon income, going from full CPI compensation at the bottom, to zero at the top.

This proposal grew naturally from our concern for fairness and for an equitable sharing of the burden of fighting inflation among all Canadians. What was the

answer of the Premiers? Nearly unanimously, the answer was no. They asked for fast action on interest rates which are within our jurisdiction, but they were unwilling to take any action on public sector wages which fall within theirs, although they themselves, some of them, raised it. Some of them, however, assured us they would undertake to handle their own wage settlements in a way that would not contribute to inflation, and I take them at their word. Nevertheless, we will continue to monitor the situation carefully and if public settlements, public sector settlements throughout Canada, do not set a moderating trend for the economy as a whole, Canadians everywhere will see the standard of economic leadership being provided at the various provincial levels. What I say now about wages applies, of course, to prices and profits which generally fall within provincial jurisdictions. So when you said tonight, Premier Blakeney, that you couldn't contemplate a guideline for wages alone without having them on prices and on profits I tell you go ahead. That is within your jurisdiction. Contracts within the provinces are within provincial jurisdiction and if you also want to control other things, that is fine. We were responding to a suggestion made, I believe, by three Premiers on the first day that we look at the public sector and the public sector generally speaking deals with compensation, with wages. It doesn't deal with making profits or settling prices.

So once again we responded to a suggestion that we deal collectively with something which isn't in our collective jurisdiction, but since we have not decided at least to give that collective leadership, the federal government will shoulder its own responsibility. The solution of the country's economic problems, as with all its serious ones, requires the exercise of a collective national will, and as several of you have stated, we did not find that collective will around this table this week. That doesn't mean that it doesn't exist.

We have been encouraged by statements from the private sector that solutions to our problems can only be found through co-operation among all groups in society. We will seek the views of our colleagues in the provincial governments, in business, in labour and others, in order to determine if a consensus exists in the principles of economic management by which both public policy and individual and collective behaviour should be guided in the years ahead.

Premier Lougheed, you pointed out that in our exchange this morning, we had had some disagreement on the role of the private sector, and since I am referring to statements from the private sector, I must say I am puzzled at that, because I do remember in our exchange that I said that we had to rely on the private sector for the most significant aspect of job creation in this country and, therefore, it was important to create the economic environment, which was favourable to private capital investment. I said that in so many words

and my recollection is that you agreed with that and, indeed, I would be surprised if you disagreed. Perhaps it is a faulty recollection of what I said, but that was my position; where there was a difference of opinion is when you said that the economic environment in Canada was not favourable to investment mainly, I don't want to distort your words, but I think you said mainly because, or at least the cause that you singled out, was the federal budget and Premier Davis just said that a minute ago.

Well, with respect, you know the federal budget dates from last November. I suggest that if we look at the reality, the economic environment that we want to create in Canada is not only attributable to something that happened last November, but it is an environment which has been developing over the weeks, the months, and perhaps the years in Canada. And tonight, I suggest, that we have, in a sense, worsened that economic environment a thousand times more than the budget might allegedly have done by showing that we are unable to come to grips with the cause of inflation, and that we will leave here with the message once again, that the Feds should break down interest rates, that collectively in areas of your responsibility well you will each go home and do your best, but there is no collective leadership emerging from here. I suggest that that is much worse in terms of what it does to the economic environment for investment in this country, when the 11 First Ministers at a time of serious concern like now find nothing better than to say, "Well, you should bring down interest rates and we will manage our economies in the way we in each province think is best."

So, on behalf of the federal government, I repeat our pledge to provide the national economic leadership that our role demands.

A second major issue of this conference has been the fiscal arrangements between our governments. For more than 20 years the federal government has steadily increased transfers to the provinces and, in so doing, has decreased its share of total government revenues. From 1959 to 1979, federal expenditures, after transfers to the provinces, have declined from 52 per cent to 33 per cent of total government expenditures in Canada.

surtout peut-être pour le
le premier ministre Lévesque qui encore une fois a parlé
de notre obsession unitaire, nous voulions tout centra-
liser, nous voulions contrôler les finances, toutes les
juridictions et tout le reste et c'était une obsession
qu'il s'évertuait à dénoncer. Bien, qu'il retienne ces
chiffres, pendant que nous avons été au pouvoir, depuis
68 et dans les neuf années avant, les dépenses globales
de tous les gouvernements, qui étaient partagées au début
de cette période dans un pourcentage de 52% pour le gouver-
nement canadien sont tombées -- donc 48% pour les gouver-
nements provinciaux et les municipalités qui en dépendent --
s'est passé dans cette période d'obsession unitaire,
s'est passé de 52% des dépenses pour nous à 33% des dépen-
ses pour nous, c'est donc que vous avez augmenté, vous,
les provinces, votre proportion des dépenses globales
d'une proportion de 48% à 66%, qu'est-ce que ça aurait
été s'il n'y avait pas eu une obsession unitaire. Je
pense que le gouvernement canadien aurait complètement
disparu.

And yet despite this massive transfer at every federal-provincial conference where we discussed fiscal transfers of equalization it was always the same old story. It was never enough. At every federal-provincial conference the provincial cry is always the same, "We have been robbed. They owe us more money. They didn't give us more money. We are merely coming away with a few billion dollars more. We should have more." So I am saying to Canadians, Let's not be surprised if this five-year renewal of fiscal arrangements results in the same cry, "It's not enough." It was not enough in '77 when we had the last agreements, which now the provinces are describing as so good that they would like to continue them, but it was not enough then, and it was not enough in '72, and it wasn't enough in '67 and yet I repeat, during that period of 20 years, federal expenditures have fallen from 52 per cent of the total to 33 per cent of the total. What would have happened to the federal government if we had given you enough? I guess we would have completely ceased to exist, or we would have become as I once said, a confederation of shopping centres.

The facts of the matter are that our proposals for new arrangements were put forward in a spirit of sharing. Total federal transfers to provincial governments are projected to grow on average over the next five years by close to 12 per cent, so the provinces haven't lost anything, talk about amounts they have lost. They

are receiving less than they would receive if the previous arrangements were continuing, but we heeded the cry and in the enjoinder of restraint and we're only transferring provinces so that they gained 12 per cent a year on average from our transfers. The total for the next five years will be of some \$107 billion transferred to the provinces. It is not enough, but it is a lot of money.

We have designed this offer so that our transfers to the provincial governments will continue to grow faster. Our transfers to the provinces will grow faster than the rate of growth in federal outlays minus those transfers. It won't grow at 15 or 20 or 25 per cent, but they will still -- our transfers to the provinces will still grow faster than our own spending on ourselves. So we are not shifting our deficit to the provinces. We are merely asking the provincial governments to do no more than we are prepared to do ourselves.

Lors de la séance d'ouverture, le Premier ministre Lévesque a prétendu démontrer, graphique à l'appui, que les propositions fédérales sur les arrangements fiscaux entraîneraient une réduction des transferts fédéraux au Québec. Eh bien, je dois dire, avec tout le respect que je lui dois, que cela est incorrect. Les données utilisées par M. Lévesque ne tiennent aucunement compte des points d'impôts qui sont un élément essentiel des transferts fédéraux au Québec. Cela est indéniable puisque la valeur des transferts en espèces ne peut pas être déterminée sans qu'on établisse d'abord celle des points d'impôts. Et je rappelle que c'est à la demande expresse du Québec, en 1964, que l'on a remplacé une partie des transferts en espèces par des transferts de points d'impôts pour financer des programmes tels que l'assurance-hospitalisation, l'assurance-maladie, l'assistance sociale et l'enseignement post-secondaire. Cela, on se rappelle, s'est fait en vertu des accords de non-participation, ce qu'on appelle "l'opting out".

Alors, pour connaître la valeur globale des transferts en vertu des arrangements fiscaux, il est essentiel de tenir compte et des transferts des points d'impôts et des transferts en espèces, ce que M. Lévesque n'a pas fait. En vérité, les transferts fédéraux au Québec en espèces et en impôts passeraient d'environ 5 milliards

de dollars en 1981-1982 à 5,3 milliards de dollars en 1982-1983 et seraient de près de 8,4 milliards à la fin de cette période quinquennale, soit 66, 67. Le pourcentage d'accroissement annuel moyen serait de 12.2 p. 100, un peu plus que celui observé depuis 1977 et plus que le taux d'inflation. Alors, ces grandes pertes dont parle le Québec, ce ne sont pas des pertes, ça continue d'être des transferts au titre de la péréquation et des autres programmes, ça continue d'être des transferts qui croîtront plus vite dans les cinq années à venir qu'elles ne se sont accrues dans les cinq années passées.

Globalement, le Gouvernement québécois recevrait 33.9 milliards du Trésor fédéral au cours des cinq années à venir, comparativement à 20.4 milliards depuis 1977. Le Québec reçoit donc à peu près, près du tiers du total pour l'ensemble des provinces. Comme dirait M. Lévesque, c'est pas des "peanuts". Mais il le dira pas justement, parce qu'un transfert de cette envergure, de cette magnitude, fait que le Québec reçoit le tiers de ce qui est transféré aux provinces dans l'ensemble du Canada, ça, il vaut mieux ne pas en parler pour pouvoir continuer d'entretenir le mythe de l'ob-session unitaire.

So our original offer was fair, but at this conference we have made some additional concessions. We have shown flexibility on post-secondary education, the financing of universities. We have offered to extend the present arrangements for another year to mid-1984, or 26 months from now. Several provinces have asked for this. We did so on the understanding that the provincial governments would at least maintain their own present level of financing which had been declining in some years.

During this same two-year period we also requested that the provincial governments undertake to co-operate with the federal government which now pays 57 per cent of the cost of post-secondary education institutions. Maybe we can make that the first sign on the lawn of Toronto University, Premier Davis.

HON. WILLIAM DAVIS: The second you carry it on we'll make it.

THE CHAIRMAN: The federal government pays 57 per cent of the cost of post-secondary education institutions.

In devising ways and means by which the federal government's legitimate concerns in this field could be met we requested, therefore, that there be that undertaking and that we continue to discuss it over the period of the next two years. The educational and training systems in Canada are in vital need of further support and direction and the government of Canada wants to ensure that national objectives such as accessibility to institutions for all students and the mobility of those once trained within Canada are guaranteed.

So I repeat because even in the closing statements several Premiers have indicated that they would be cutting their expenditures to post-secondary education and blaming it on us. I make it quite clear, and I distributed the paper this afternoon, that we will continue for two years to maintain the same rate and the same type of transfer so if there is any cutting to the universities or to post-secondary education it will mean that the provinces are rearranging their priorities and out of the 12 per cent general increase that we are giving to the provinces in transfer payments over the next five years, 12 per cent a year, they will have chosen to spend less on education and more on something else.

Second, in response to provincial demands, we discussed an equalization formula in which an additional billion dollars over five years would flow to our poorer provinces over and above the total of 107 billion already offered.

M. Lévesque a trouvé le moyen de dire qu'il perdrait de l'argent. Nous avons dit que nous considérerions d'ajouter un milliard de dollars aux paiements de péréquation pour les rendre plus riches, plus acceptables aux provinces. C'était une idée que le ministre des finances a mis de l'avant au début de l'après-midi dans l'espoir peut-être d'obtenir le consentement des provinces à considérer cela, c'était une offre faite, en tout cas une idée mise de l'avant de bonne foi, bien sûr si on s'évertue à l'avance de décrier cela comme une perte pour le Québec et de présumer qu'encore une fois toujours la faute des autres, le Québec va souffrir, je vous dis, monsieur Lévesque, ce n'était pas notre intention c'était, en lançant cette idée, c'était d'enrichir les paiements de péréquation, par conséquent, d'enrichir les sommes reçues par toutes les provinces qui profitent de la péréquation dont le Québec très largement, comme je l'ai dit.

So on these two concerns, both post-secondary education and equalization, we have thus enriched considerably an already fair federal offer which also includes new approaches to the health sector. I have stated that I would take this matter back to the federal Cabinet and recommend its ratification if Premiers could agree amongst themselves on settling the whole matter on the basis we discussed. We recognize that the provinces have important responsibilities and we are prepared to do our share to assist them in their constitutional obligations; but in continually demanding more money the provinces must recognize that the continued decreases in the federal share of total government revenues would soon lead to a federal government so weak that it would be unable to carry out its national responsibilities.

Premier Hatfield, you talked a great deal about political credit and with a great deal of indignation. I think you didn't show the same measure of tolerance or understanding that Premier Davis did when he offered to put up signs, but I want to point out to you that when we stopped the erosion of the federal spending power which I repeat for the third time tonight is down to 33 per cent of total government spending it is not because we want to get political credit for ourselves. If that can help us as a party, then I am sure as politicians, we wouldn't refuse to get credit, but I want to insist that the point, the political point I am making is a political point not relative to political partisanship, but to the political evolution of Canada. Premier Blakeney correctly referred to something I said around 1976, if you want to see the direction in which a federation is going look at its system of federal transfers. Well, the way in which federal transfers to the provinces were going is that the federal government was increasingly being in a position where it couldn't discharge its own responsibilities and one of those responsibilities is precisely to help the have-not provinces and to redistribute the wealth and

that would be increasingly impossible if the federal government didn't have a sufficient share of total revenues in Canada.

Now I have to, having addressed other Premiers, I have to set the record straight on Premier Lee's allegation because it has to do with political credit in the sense that you meant it and not in the sense I am now understanding. Premier Lee alleged that Charles Lapointe, our Minister for Small Businesses, went to Prince Edward Island to announce a tourism program for the Island without any prior consultation with the Prince Edward Island government. Did I understand you correctly?

HON. JAMES LEE: Yes.

THE CHAIRMAN: Well, that I submit, Premier, is a classic example of fed-bashing. The program announced by Mr. Lapointe comes under the P.E.I. Comprehensive Plan which was signed three months ago by the three levels of government. Under that plan we will spend \$90 million. Half of this goes into programs funded 90 per cent by Canada but administered entirely by Prince Edward Island so the visibility, the political credit with these programs funded 90 per cent with federal taxpayers' money will be gotten by the government of Prince Edward Island. The other half of the \$90 million, the other half goes into programs which are funded 100 per cent by the federal government and which fall within areas of federal jurisdiction, and the programs announced by the Minister Lapointe fell within the second half, the half for which we are spending 100 per cent and which is in areas of federal jurisdiction. At the time the Prince Edward Island Comprehensive Plan agreement was negotiated Mr. De Bané offered Prince Edward Island full consultation on the way in which the federal government would spend its money on the second half of the plan, the federal half. The Prince Edward Island government represented by Deputy Premier Driscoll refused to accept the offer unless it was allowed a veto -- echoes of Québec -- a veto over

the way in which the federal government spent its money in areas within its jurisdiction. Of course we couldn't accept that and that is why the Minister Lapointe went down and announced a federal program with federal money within areas of federal jurisdiction without Prince Edward Island having a veto. And Premier Hatfield, when we talk of political credit, I think you have here an example of the political credit that the federal government has been failing to get even as a government which owes to its taxpayers to say where it is spending money. I can give you example on example in Quebec, in Manitoba, in other provinces where the federal government puts up 90 per cent of the funds of an old-age home or something like that and it all appears as a provincial initiative. Now if somebody is looking for political credit around this table, it hasn't been the federal government, but maybe we are learning, maybe we are learning.

During the constitutional negotiations in 1980 we refused to transfer powers from the federal government to the provinces unless there was a corresponding transfer of provincial powers to the federal government because we believe that Canadians want a strong national government and that is the same philosophy and that is the political aspect of what we are doing. We intend to stick to this course because, as I mentioned earlier, Canada is at a point when some hard decisions and bold initiatives must be taken if we are going to achieve our full economic potential. Our economic renewal plan identifies five policy areas to which we intend to give priority in the years ahead: industrial development, resource development, transportation, export promotion, and the development of our human resources. We have backed up our strategy proposals with an unprecedented commitment to spend \$60 billion in carrying them out over the next five years. In addition, we have set aside more than \$5 billion for employment and training proposals

which we are actively pushing right now. I want to emphasize however that we are also committed to elaborating and developing our priorities for economic development in close consultation and coordination with provincial governments and the private sector. For example, we will be seeking cooperation in the development of sound human resources so that together we can ensure that Canada has the pool of professional and manpower skills required for economic development now and in the years ahead. The figure was given at this conference, I believe, today or yesterday, at this very time Alberta is experiencing a shortage of some two thousand engineers. Even in Ontario companies are requesting from immigration officials permits for hundreds of technical personnel who have not been trained in Canada. You know in post-secondary education we mainly give the money. You decide how many engineers you want and how many political scientists but the result is we are some two thousand engineers short in Alberta right now and that is the kind of manpower shortage our economy can no longer afford. To prevent such shortages in the future may require some reordering of priorities in education as well as in adult occupational training.

While working on the economy we will not forget those Canadians in need. In the social policy field we will be asking provincial governments to refrain from reducing benefits when the federal government is able to increase social assistance. This has happened in the past, for example, when the federal government increased family allowances and the guaranteed income supplement. Give more money to the aged, more money to the mothers for their child benefits and the province turns around and decides to reduce payments to the citizens most in need of that amount of money that we increased their payments.

If ever there were a time in which all

parts of Canadian society must pull together in order to overcome our troubles and lay the foundation for a more secure future it is now. The success with which we will do so will determine the economic health of our nation and its place in the international economic order for decades to come.

Shall we adjourn?

---At 9:55 p.m. the conference concluded.

FEDERAL-PROVINCIAL CONFERENCE
OF
FIRST MINISTERS ON THE ECONOMY

Ottawa
February 1982

AGENDA

1. Economic Management
2. Economic Development

FEDERAL-PROVINCIAL CONFERENCE
OF
FIRST MINISTERS ON THE ECONOMY

Ottawa

February 1982

ATTENDANCE

CANADA

The Right Hon. Pierre Elliott Trudeau
Prime Minister

The Hon. Allan MacEachen
Deputy Prime Minister and Minister of Finance

The Hon. Jean-Luc Pepin
Minister of Transport

The Hon. Jean Chrétien
Minister of Justice, Attorney General of Canada and
Minister of State for Social Development

The Hon. H.A. (Bud) Olson
Minister of State for Economic Development

The Hon. Herbert Gray
Minister of Industry, Trade and Commerce and
Minister of Regional Economic Expansion

The Hon. Eugene Whelan
Minister of Agriculture

The Hon. André Ouellet
Minister of Consumer and Corporate Affairs

The Hon. Marc Lalonde
Minister of Energy, Mines and Resources

The Hon. Roméo LeBlanc
Minister of Fisheries and Oceans

The Hon. John Roberts
Minister of the Environment and
Minister of State for Science and Technology

The Hon. Francis Fox
Minister of Communications

The Hon. Hazen Argue
Minister of State (Canadian Wheat Board)

The Hon. Gerald Regan
Secretary of State of Canada

The Hon. William Rompkey
Minister of National Revenue

The Hon. Pierre Bussières
Minister of State (Finance)

The Hon. Charles Lapointe
Minister of State (Small Businesses and Tourism)

The Hon. Edward Lumley
Minister of State (International Trade)

The Hon. Donald Johnston
President of the Treasury Board

The Hon. Lloyd Axworthy
Minister of Employment and Immigration

The Hon. Judy Erola
Minister of State (Mines)

The Hon. Jacob Austin
Minister of State

The Hon. Charles L. Caccia
Minister of Labour

The Hon. Serge Joyal
Minister of State

The Hon. W. Bennett Campbell
Minister of Veterans Affairs

ONTARIO

The Hon. William Davis
Premier

The Hon. Robert Elgie
Minister of Labour

The Hon. Larry Grossman
Minister of Industry and Tourism

The Hon. Frank Miller
Treasurer of Ontario and Minister of Economics

The Hon. Thomas Wells
Minister of Intergovernmental Affairs

The Hon. Roy McMurtry
Attorney General

QUEBEC

The Hon. René Lévesque
Prime Minister and Minister of Intergovernmental Affairs

The Hon. Jacques-Yvan Morin
Deputy Prime Minister and Minister of State for Cultural
and Scientific Development

The Hon. Jacques Parizeau
Minister of Finance and Minister of Financial and Co-operative
Institutions

The Hon. Bernard Landry
Minister of State for Economic Development

The Hon. Michel Clair
Minister of Transport

The Hon. Rodrigue Biron
Minister of Industry, Trade, Commerce and Tourism

NOVA SCOTIA

The Hon. J.M. Buchanan
Premier

The Hon. R.J. Thornhill
Minister of Development

The Hon. Joel Matheson
Minister of Finance

The Hon. Greg Kerr
Minister of Environment

NEW BRUNSWICK

The Hon. Richard Hatfield
Premier

The Hon. Fernand Dubé
Minister of Finance

The Hon. Mabel DeWare
Minister of Labour and Manpower

The Hon. Gerald Merrithew
Minister of Commerce and Development and
Chairman of the Cabinet Committee on Economic Development

The Hon. Jean-Maurice Simard
Chairman of the Treasury Board

The Hon. Brenda Robertson
Minister of Health and
Chairman of the Cabinet Committee on Social Development

The Hon. Jean Gauvin
Minister of Fisheries

MANITOBA

The Hon. Howard Pawley
Premier

The Hon. Wilson Parasiuk
Minister of Energy and Mines

The Hon. Vic Schroeder
Minister of Finance

The Hon. Muriel Smith
Minister of Economic Development

The Hon. Maureen Hemphill
Minister of Education

BRITISH COLUMBIA

The Hon. William R. Bennett
Premier

The Hon. Hugh Curtis
Minister of Finance

The Hon. Alex Fraser
Minister of Transportation and Highways

The Hon. Don Phillips
Minister of Industry and Small Business Development

PRINCE EDWARD ISLAND

The Hon. James M. Lee
Premier

The Hon. Lloyd G. MacPhail
Minister of Finance

The Hon. George R. McMahon
Minister of Justice

The Hon. Fred Driscoll
Minister of Education

SASKATCHEWAN

The Hon. Allan Blakeney
Premier

The Hon. Roy J. Romanow
Minister of Intergovernmental Affairs

The Hon. Edwin Tchorzewski
Minister of Finance

The Hon. Gordon MacMurchy
Minister of Agriculture

ALBERTA

The Hon. Peter Lougheed
Premier

The Hon. Lou Hyndman
Provincial Treasurer

The Hon. Dick Johnston
Minister of Federal and Intergovernmental Affairs

The Hon. Hugh Planche
Minister of Economic Development

Bill Payne, M.L.A.

Norm Weiss, M.L.A.

NEWFOUNDLAND

The Hon. A. Brian Peckford
Premier

The Hon. John Collins
Minister of Finance

The Hon. Neil Windsor
Minister of Development

The Hon. W. House
Minister of Health

The Hon. James Morgan
Minister of Fisheries

CONFERENCE FEDERALE-PROVINCIALE
DES
PREMIERS MINISTRES SUR L'ECONOMIE

Ottawa
Février 1982

ORDRE DU JOUR

1. La gestion économique
2. Le développement économique

CONFERENCE FEDERALE-PROVINCIALE
DES
PREMIER MINISTRES SUR L'ECONOMIE

Ottawa

Février 1982

PARTICIPANTS

CANADA

Le très honorable Pierre Elliott Trudeau
Premier ministre

L'honorable Allan MacEachen
Vice-premier ministre et ministre des Finances

L'honorable Jean-Luc Pepin
Ministre des Transports

L'honorable Jean Chrétien
Ministre de la Justice, Procureur général du Canada et
ministre d'Etat chargé du Développement social

L'honorable H.A. (Bud) Olson
Ministre d'Etat chargé du Développement économique

L'honorable Herbert Gray
Ministre de l'Industrie et du Commerce et
ministre de l'Expansion économique régionale

L'honorable Eugene Whelan
Ministre de l'Agriculture

L'honorable André Ouellet
Ministre de la Consommation et des Corporations

L'honorable Marc Lalonde
Ministre de l'Energie, des Mines et des Ressources

L'honorable Roméo LeBlanc
Ministre des Pêches et des Océans

L'honorable John Roberts
Ministre de l'Environnement et
ministre d'Etat chargé des Sciences et de la Technologie

L'honorable Francis Fox
Ministre des Communications

L'honorable Hazen Argue
Ministre d'Etat (Commission canadienne du blé)

- L'honorable Gerald Regan
Secrétaire d'Etat du Canada
- L'honorable William Rompkey
Ministre du Revenu
- L'honorable Pierre Bussières
Ministre d'Etat (Finances)
- L'honorable Charles Lapointe
Ministre d'Etat (Petites entreprises et Tourisme)
- L'honorable Edward Lumley
Ministre d'Etat (Commerce international)
- L'honorable Donald Johnston
Président du Conseil du Trésor
- L'honorable Lloyd Axworthy
Ministre de l'Emploi et de l'Immigration
- L'honorable Judy Erola
Ministre d'Etat (Mines)
- L'honorable Jacob Austin
Ministre d'Etat
- L'honorable Charles L. Caccia
Ministre du Travail
- L'honorable Serge Joyal
Ministre d'Etat
- L'honorable W. Bennett Campbell
Ministre des Affaires des anciens combattants

ONTARIO

- L'honorable William Davis
Premier ministre
- L'honorable Robert Elgie
Ministre du Travail
- L'honorable Larry Grossman
Ministre de l'Industrie et du Tourisme
- L'honorable Frank Miller
Ministre du Trésor et de l'Economie
- L'honorable Thomas Wells
Ministre des Affaires intergouvernementales

L'honorable Roy McMurtry
Procureur général

QUEBEC

M. René Lévesque
Premier ministre et Ministre des Affaires intergouvernementales

M. Jacques-Yvan Morin
Vice-premier ministre et Ministre d'Etat au Développement
culturel et scientifique

M. Jacques Parizeau
Ministre des Finances et Ministre des Institutions financières
et coopératives

M. Bernard Landry
Ministre d'Etat au Développement économique

M. Michel Clair
Ministre des Transports

M. Rodrigue Biron
Ministre de l'Industrie, du Commerce et du Tourisme

NOUVELLE-ECOSSE

L'honorable J.M. Buchanan
Premier ministre

L'honorable R.J. Thornhill
Ministre du Développement

L'honorable Joel Matheson
Ministre des Finances

L'honorable Greg Kerr
Ministre de l'Environnement

NOUVEAU-BRUNSWICK

L'honorable Richard Hatfield
Premier ministre

L'honorable Fernand Dubé
Ministre des Finances

L'honorable Mabel Deware
Ministre du Travail et de la Main-d'oeuvre

L'honorable Gerald Merrithew
Ministre du Commerce et du Développement et
Président du Comité du cabinet sur le développement économique

L'honorable Jean-Maurice Simard
Président du Conseil du Trésor

L'honorable Brenda Robertson
Ministre de la Santé et
Présidente du Comité du cabinet sur le développement social

L'honorable Jean Gauvin
Ministre des Pêcheries

MANITOBA

L'honorable Howard Pawley
Premier ministre

L'honorable Wilson Parasiuk
Ministre de l'Energie et des Mines

L'honorable Vic Schroeder
Ministre des Finances

L'honorable Muriel Smith
Ministre du Développement économique

L'honorable Maureen Hemphill
Ministre de l'Education

COLOMBIE-BRITANNIQUE

L'honorable William R. Bennett
Premier ministre

L'honorable Hugh Curtis
Ministre des Finances

L'honorable Alex Fraser
Ministre du Transport et de la Voirie

L'honorable Don Phillips
Ministre de l'Industrie et du Développement des petites entreprises

ILE-DU-PRINCE-EDOUARD

L'honorable James M. Lee
Premier ministre

L'honorable Lloyd G. MacPhail
Ministre des Finances

L'honorable George R. McMahon
Ministre de la Justice

L'honorable Fred Driscoll
Ministre de l'Education

SASKATCHEWAN

L'honorable Allan Blakeney
Premier ministre

L'honorable Roy J. Romanow
Ministre des Affaires intergouvernementales

L'honorable Edwin Tchorzewski
Ministre des Finances

L'honorable Gordon MacMurchy
Ministre de l'Agriculture

ALBERTA

L'honorable Peter Lougheed
Premier ministre

L'honorable Lou Hyndman
Ministre du Trésor

L'honorable Dick Johnston
Ministre des Affaires fédérales et intergouvernementales

L'honorable Hugh Planche
Ministre du Développement économique

Bill Payne, député

Norm Weiss, député

TERRE-NEUVE

L'honorable A. Brian Peckford
Premier ministre

L'honorable John Collins
Ministre des Finances

L'honorable Neil Windsor
Ministre du Développement

L'honorable W. House
Ministre de la Santé

L'honorable James Morgan
Ministre des Pêches

THE JOURNAL OF THE
ROYAL ANTHROPOLOGICAL INSTITUTE

VOL. LXXV. PART 1.
1945.

CONTENTS.

THE JOURNAL OF THE
ROYAL ANTHROPOLOGICAL INSTITUTE

VOL. LXXV. PART 1.
1945.

